

The University of Chicago

UNEMPLOYMENT COMPENSATION
DISQUALIFICATIONS

A DISSERTATION SUBMITTED TO THE FACULTY
OF THE SCHOOL OF BUSINESS IN CANDIDACY
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

1944

By
JAMES E. CHACE

Reprinted from
STUDIES IN BUSINESS ADMINISTRATION
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PREFACE

THIS study is primarily an analysis of unemployment compensation disqualifications in operation. It looks beyond the statutory provisions which delimit disqualifications to their actual application and impact. The data presented are in the nature of an interim report on a project which should be continued on a national basis.

Unemployment compensation is intended to protect the average worker for a reasonable period of time against the financial burdens of involuntary unemployment resulting from inability to obtain suitable work. Workers whose unemployment is due to their own behavior rather than to conditions in the labor market should be disqualified from its benefits. The periods of disqualification provided by the early state unemployment compensation laws were relatively short, but there has been a growing trend since 1939 to extend the periods of disqualification and to disqualify by reducing or canceling the potential benefit credits accumulated by workers. The extent and ultimate result of this trend are of vital concern to workers and employers alike.

This analysis presents statistics from Florida and other states on the extent to which claimants for unemployment compensation are disqualified, the reasons disqualifications are imposed, and the duration or impact of the disqualifications assessed. As the policies and procedures of the agencies which administer and interpret the unemployment compensation laws affect these data, they have been briefly considered. The trend

toward harsher disqualifications is illustrated, and the relation of experience rating to this trend is pointed out. An attempt to suggest a defensible system of disqualifications is included, with a suggestion that further study looking toward a uniform system should be undertaken.

It is hoped that the statistics which have been compiled in this work may prove valuable to those who are responsible for establishing the policies and procedures of unemployment compensation administration. There are various arguments being advanced for federalization of the unemployment compensation program, one of these being that many states are thwarting the program by restrictive interpretations and severe disqualifications. While the various experiments of the states in the matter of handling disqualifications may have served a valuable purpose, apparently the period of trial and error must be brought to a close if the states are to retain control of their unemployment programs. To the assumption that one extreme or the other—restrictive state administration or federal operation—is the sole alternative, a challenge may be made if the problem is approached in a spirit of co-operation. Reasonable, uniform disqualifications seem necessary to stabilize and strengthen the unemployment compensation system, and their adoption by the states would eliminate a weakness now being used as an argument for federal operation. While the comments and opinions of the author which are included in this study may be

of slight significance in themselves, it is hoped that they may provoke further thought and study which will eventually result in such corrective measures as may be found necessary.

In compiling the data here presented, various publications of the Social Security Board, particularly the *Social Security Bulletin*, have been extensively utilized for background material. The director of the Bureau of Employment Security, Mr. Ewan Clague kindly reviewed a preliminary draft of the study, before the comparative data from other states were included. His comments and constructive criticisms were both helpful and encouraging. Data on the extent of unemployment have been quoted from *Labor's Risks and Social Insurance*, by Harry A. Millis and Royal E. Montgomery, which work has also been cited in other connections. *Social Security in the United States*, by Paul H. Douglas, has been cited in a number of instances.

This work would not have been possible without the friendly co-operation of Boyce A. Williams, chairman of the Florida Industrial Commission. He not only gave free access to the records of the Unemployment Compensation Division of the Commission and permitted personnel of the agency to devote much valuable time to assisting in the compiling of the Florida statistics, but also wrote state administrators of unemployment compensation soliciting comparative data from their states. The conclusions drawn from such data and the comments thereon, however, do not necessarily reflect the conclusions and opinions of Mr. Williams or the Florida agency. Burnis T. Coleman, general counsel for the Florida Industrial Commission, was consulted with respect to the sections of the study dealing with policies in Florida

and court decisions as a factor in administration. Robert B. Beasley, former chief of the Department of Research and Statistics, now on military leave, gave invaluable assistance in the beginning of this study by suggesting techniques to be followed in compiling the data and by assisting in tabulating and arranging the 1940 Florida statistics which formed the nucleus of the undertaking. After his entry into military service, Miss Blanche Sabourin, of the same department, rendered a like service with respect to the assembling of statistics for subsequent years and was very helpful in analyzing the data secured from other states by questionnaires. The sections on procedures in the filing and determinations of claims are based, in part, on information furnished by George W. Stubbs, chief of the Department of Benefits, and members of his department.

Space does not permit the listing of the other state administrators who co-operated in the preparation of this study by having members of their staffs devote much time and effort to the compilation of comparative data. Their assistance, however, made possible a work of much wider scope.

It is impossible adequately to acknowledge the unstinted and friendly aid of Patrick H. Mears, chief appeals referee for the Florida Industrial Commission, whose constant co-operation and technical advice have been of material assistance in the preparation of this study. He assisted in assembling much of the data on appeals and appeals procedures, furnished references to innumerable source materials, reviewed the manuscript section by section as it was written, and made many valuable suggestions and corrections. Acknowledgment is due Miss Florence Beazlie, secretary to the Board

of Review, for working many hours overtime in typing the revisions and final draft of the manuscript.

I am indebted to Professors R. W. Stone, Edward A. Duddy, and Samuel H. Nerlove, all of the School of Business of the University of Chicago, for carefully reading the manuscript and mak-

ing helpful comments and suggestions. Special acknowledgment is due Professor Stone for devising an effective method to meet the problem of absentee guidance and for his friendly encouragement.

JAMES E. CHACE

GAINESVILLE, FLORIDA
May 1944

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CHAPTER I

UNEMPLOYMENT: THE PROBLEM AND ITS ALLEVIATION

THE risk of unemployment is one of the most serious confronting wage-earners in an industrial society. The problem is by no means a new one, but in our complex economic life of to-day it has become more acute, and the maladjustments resulting therefrom have been felt more and more deeply throughout the country. Because of the devastating effects of its recurrent visitations, unemployment has been called "the curse of American workmen."

Before the industrial revolution the lack of mobility and adaptability of labor resulted in some maladjustments. During the first century following the founding of the United States, however, the West presented to all a degree of equality of economic opportunity, a chance to secure free lands and exploit natural resources. When people in the older communities became dissatisfied with their conditions, they could go West to try their fortunes in new territories. However, when the free lands were all taken up and the frontier had disappeared, that way of escape was closed, and no year in the past half-century has been free from unemployment.

Even in prosperous times a large number of employable persons are unemployed each year.¹ During the years immediately following 1929 the American people witnessed a tragic breakdown in the established methods of dealing with

men and women who are out of work through no fault of their own. The great prosperity and high employment developed during 1942 and 1943 as a direct result of our all-out war production should not obscure the fact that unemployment, increasing in depression and decreasing with recovery, is a continuing problem of our industrial society and must be met by a long-range program.

DEFINITION OF UNEMPLOYMENT

According to the widely accepted definition by Rowntree, "a person is unemployed who is seeking work for wages, but is unable to find any suited to his capacities and under conditions which are reasonable, judged by local standards."² The work-shy, the disabled, the unemployable, and those on vacation, on strike, or merely unoccupied are not to be listed as unemployed. Millis and Montgomery take this view when they say: "In other words, unemployed men are those who are in involuntary idleness because, though they are able to work and are seeking work, they cannot find suitable employment."³ Calvin Coolidge is quoted in *Life* magazine of August 16, 1943, as having stated, "When a great many people are unable to find work, unemployment results." Unemployment, however, we have with us always, and "when a great many people are unable to find work," a se-

¹ Social Security Board, *Unemployment Compensation—What and Why?* (Publication No. 14 [Washington: Government Printing Office, September, 1937]), p. 2.

² Harry A. Millis and Royal E. Montgomery, *Labor's Risks and Social Insurance* (New York: McGraw-Hill Book Co., Inc., 1938), p. 2.

³ *Ibid.*, p. 5.

rious problem results. Beardsley Ruml, chairman of the New York Federal Reserve Bank, recently stated over the radio:

The term "full employment" is a loose one and, I think, a rather poor one and a rather dangerous one to use. Obviously, I suppose we never can have a situation where everybody is employed full time doing exactly the thing he wants to do. I think a better term to use is "high employment," because we can define in quantitative terms what we mean by high employment, and then we can see whether or not we are exceeding it.

Today estimates are made that a satisfactory level of employment would be about fifty-five million people working forty hours a week. That, of course, is a figure for our country as it is today. Now, if we want more leisure, then we can drop the figure down. If we want more workers, we can put the figure up. But we must remember that the higher the figure that we set for high employment, the lower can be our tax rates in order to meet the government's financial needs when full employment comes.⁴

The number of wholly unemployed workers in this country on the average, previous to 1929, was at least 6 per cent of the total workers, and the earnings of American wage-earners had been reduced considerably more than 10 per cent by unemployment. During the thirty years immediately preceeding 1930 the average time lost per worker because of inability to find work was not far from twenty-five days per year.⁵

AMOUNT OF UNEMPLOYMENT

In 1918 Professor Hornell Hart estimated the total labor supply each year during the period 1902-17 and from these estimates deducted his estimates of the numbers at work. According to his estimates, the average number of un-

employed workers in occupations other than agriculture in the United States during the period was 2,500,000, which was 9.9 per cent of the labor supply. During the labor shortage in 1906 he estimated the unemployed at 1,200,000, or 5.5 per cent of the supply. In 1908, following the "banker's panic," he estimated that there were 3,500,000, or 14.8 per cent of the supply, unemployed; and in 1914-15 he listed approximately 4,600,000, or 16 per cent of the supply,⁶ as unemployed.

A more recent study, by Professor Wolman, covering the years 1920-27, lists the number of persons attached to nonagricultural industry and the number and percentage unemployed by years.⁷ The summary figures from this study are presented in Table 1.⁸

A careful estimate of the amount of unemployment in the United States in manufacturing, transportation, building trades, and mining for each year from 1897 through 1926 was made by Professor Paul H. Douglas. He found that the average percentage of unemployed during the thirty years was 10.68 per cent, of which from 2 to 3 per cent were unavailable for work because of illness, accidents, strikes, and other reasons.⁹

It is generally agreed that from 1930 until about March, 1933, the total amount of unemployment substantially increased. Estimates of the peak number vary from 11,000,000 to 16,000,000. The Secretary of Commerce placed the esti-

⁶ *Ibid.*, pp. 12-13, citing *Fluctuations in Unemployment in Cities of the United States, 1902 to 1917* ("Studies from the Helen S. Trownstine Foundation," Vol. I [1918]).

⁷ Millis and Montgomery, *op. cit.*, p. 13.

⁸ Tables 1-31 appear in the Appendix.

⁹ Paul H. Douglas, *Real Wages in the United States* (Boston: Houghton Mifflin Co., 1930), p. 460.

⁴ N.B.C. Network, "For This We Fight," a presentation of "The N.B.C. Inter-American University of the Air," Program 20, October 16, 1943.

⁵ Millis and Montgomery, *op. cit.*, pp. 4-5.

mate at "over 12,000,000 in 1933,"¹⁰ while the American Federation of Labor estimated that 15,166,000 were unemployed in January, 1933.¹¹ From this peak in 1933 the number unemployed wavered unsteadily downward until it dropped below 9,000,000 in 1937. Then, after an interval of increase in unemployment, the downward trend was resumed, accelerated by the defense program and war production.

The Bureau of the Census estimated the level of all unemployment as 8.8 million in April, 1940. By March, 1942, the number had decreased to 3.6 million, and by February, 1943, to 1.4 million. By October, 1943, the number unemployed had dropped to a record low of 700,000.¹²

A PROBLEM OF SOCIETY

Ever more clearly we realize that unemployment is related to "financial crises," with "business cycles," and with other things beyond the control of individuals; that it is a national problem, the responsibility for which must rest with the nation as a whole. Recognizing this, Congress, during the seven years preceding 1939, appropriated more than twelve billion dollars for unemployment relief and four billion dollars for public works to stimulate private employment. Furthermore, this was of advantage to other members of society, for unemployed workers immediately affect the prosperity of businessmen, landlords, and farmers. None of these groups can prosper unless the consuming public has sufficient purchasing power to buy their

products and services. Relief serves the double purpose of keeping the destitute unemployed from starvation and of restoring purchasing power in the business economy. Illness and disability caused by worry, undernourishment, and poor housing frequently follow in the wake of unemployment, increasing the burden upon hospital and welfare services which must be met by society as a whole. If the needs of the unemployed are neglected, society pays a price in social unrest, juvenile delinquency, petty thievery, and crime. Furthermore, it has been estimated that over a hundred and thirty billion dollars in national income was lost through unemployment from 1929 to 1939.¹³

Building-trade workers and those employed in the manufacturing and transportation industries have suffered severe fluctuations in employment in past years. In the two latter groups joblessness has usually been around 5 per cent, rising as high as 20 per cent in times of depression. Even in some "normal" years as many as one-fifth of all building-trade workers have been jobless.¹⁴ In 1939 Corrington Gill estimated that the irreducible minimum of unemployment in the United States for the next decade would be between four and five million persons.¹⁵ Of course, at that time he did not know that by 1944 over ten million men would be in military service and many millions engaged in producing the materials of war. However, the very fact that at the peak of our war production in 1944 we still have at least 700,000 individuals jobless demonstrates that there must be an irreducible minimum. During the universal shortage of labor at the time of

¹⁰ *New York Times*, January 1, 1934, p. 38.

¹¹ *American Federationist*, XLIII (April, 1936), 426.

¹² War Manpower Commission, *The Labor Market*, December, 1943.

¹³ Corrington Gill, *Wasted Manpower* (New York: W. W. Norton & Co., Inc., 1939), pp. 1-18.

¹⁴ *Ibid.*, p. 19.

¹⁵ *Ibid.*, p. 25.

the first World War there were at least 700,000 unemployed.¹⁶ To provide full employment in an economy as complex and as delicately balanced as ours, men and women would have to be shifted instantaneously from one job to another as circumstances required—a degree of mobility impossible to attain in such a vast country. Cyclical unemployment, seasonal unemployment, technological unemployment, and many other types of unemployment will continue, even in prosperity, to threaten the welfare of our people and the stability of our social structure.

Austin M. Fisher, a well-known labor relations consultant retained by fifty American companies, stated in a recent article: "If free enterprise is going to survive, it will have to provide a progressively modern standard of living for working people and at the same time give them reasonable security against the hazards of disability, old age, death and unemployment."¹⁷ Group action to protect workers against the new hazards of industrial life began as early as 1789, when Basel Town in Switzerland established an unemployment insurance plan which lasted for several years. In England in 1824 the Journeyman Steam Engine Workers' Society distributed out-of-work benefits to its unemployed members, and in Brussels the Printers' Union in 1846 adopted a system of benefits for members.

Like many other forms of insurance, unemployment compensation had its origin in trade-union and mutual benefit societies. However, the union schemes failed to reach the large portion of unorganized workers. Therefore, municipal,

provincial, and national subsidies to the voluntary benefit plans were developed for nonunion workers. The first compulsory plan was established in a Swiss canton in 1894, requiring workers to pay contributions in proportion to wages. The idea was advocated in England in discussions of the inadequacy of the poor laws. There a national system of employment exchanges was set up in 1909, and the first national compulsory unemployment scheme was established in 1911.¹⁸ Compulsory unemployment insurance legislation was enacted in Germany in 1927, by which time it was also in effect in seven other countries.¹⁹ Eight other countries had enacted laws subsidizing voluntary insurance systems by 1927.²⁰ The English laws are better known in the United States, but in certain particulars the German system is more germane to our problems.²¹

Public employment offices were developed in Germany long before the introduction of unemployment insurance, as was the case in this country, and emphasis has been on placement, vocational guidance, and work relief for the unemployed.²² Of the European countries, England and Germany have made the most thorough and systematic attempt to cope with the problem of unemploy-

¹⁸ Committee on Economic Security, *Social Security in America* (Washington: Government Printing Office, 1937), pp. 4-5.

¹⁹ Social Security Board, *op. cit.*, pp. 15 and 18.

²⁰ *Ibid.*, p. 15.

²¹ Robert Frase, "The Administration of Unemployment Insurance and the Public Employment Service in Germany" (Washington: Social Security Board, January, 1938), p. 2. (Mimeographed.) One of a series of studies on social security administration carried on under the auspices of the Committee on Public Administration of the Social Science Research Council and prepared at the request of the Bureau of Unemployment Compensation of the Social Security Board.

²² *Ibid.*, pp. 2-4.

¹⁶ *Ibid.*, p. 26.

¹⁷ "Insure Your Workers' Health," *Reader's Digest*, February, 1944, p. 1 (condensed from *Forbes*).

ment, and in many respects their systems are quite similar, common problems having tended to produce common solutions.²³ Under both systems instruction centers are provided for retraining workers in their own skills and for teaching unemployed persons other occupations in which they will have better chance of employment.

PURPOSE OF UNEMPLOYMENT COMPENSATION

Unemployment compensation is designed to protect the average worker for a short period of time against the financial burdens of unemployment. It is intended to compensate only employable persons who are able and willing to work and who are unemployed through no fault of their own. Instead of making the unemployed worker exhaust the last bit of his savings and then fall back upon poor relief, unemployment compensation sets aside contributions during periods of employment and provides the worker with certain benefits as a legal right when he is unemployed through no fault of his own.²⁴ It is not a system under which every unemployed person is assured of benefits, but it provides protection primarily for those employable workers who normally are attached to the labor market and who are unemployed through no fault of their own, although they are able and willing to work.²⁵ It is intended solely to tide over workers for short periods of time between jobs; long-term unemployment falls outside the scope of the present insurance

programs. It serves best the needs of those who lose their jobs for short periods because of frictional and seasonal forces.²⁶ The intermittently employed person, and the seasonal worker who is employed for only a brief period each year, can be protected for very limited periods of time, if at all.²⁷ For instance, the Florida Unemployment Compensation Law defines the picking and packing of citrus fruit as "seasonal employment." It limits the payment of benefits to citrus workers to unemployment occurring during the seasonal period beginning October 1 of any calendar year and ending June 30 of the succeeding calendar year—the period during which such workers may normally obtain work.²⁸ As citrus workers generally do not have employment in citrus work during the summer months of July, August, and September, the Florida Unemployment Compensation Law does not provide benefits for unemployment occurring during those months. To date, the hauling, grading, packaging, and packing of citrus fruit is the only employment in Florida which has been specifically designated as seasonal employment. Although many state unemployment compensation laws contain provisions authorizing the administrative agency to designate industries or employments as "seasonal" and to limit the payment of benefits to workers customarily engaged in the designated seasonal employments so as to compensate them only for unemployment they may suffer during the season when they are normally employed, relatively few

²³ *Ibid.*, p. 4.

²⁴ Social Security Board, *op. cit.*, p. 7; Eveline M. Burns, *Toward Social Security* (New York: Whittlesey House, McGraw-Hill Book Co., Inc., 1936), p. 60.

²⁵ E. Wight Bakke, *Insurance or Dole?* (New Haven: Yale University Press, 1935), pp. 25-35.

²⁶ Gill, *op. cit.*, p. 258.

²⁷ Bakke, *op. cit.*, pp. 57-59; Social Security Board, *op. cit.*, pp. 7-8; Paul H. Douglas, *Standards of Unemployment Insurance* (Chicago: University of Chicago Press, 1933), pp. 52-56.

²⁸ *Florida Statutes*, 1941, as amended, sec. 443.04(4)(c).

states have taken such action.²⁹ The very fact that some types of seasonal workers have such limited employment, however, usually operates to limit the amount of wage credits they build up, and the amount of wage credits earned by the worker in turn limits the amount of benefits he may receive.

As far back as 1916 the first bill for unemployment compensation was introduced in a state legislature, but not until 1932 was the first state unemployment compensation law passed. Wisconsin led the way, but other states were slow to follow. This was in part attributable to a fear that employers in states having such laws would be placed at a competitive disadvantage with respect to employers in states with no compensation laws, particularly if the benefits were to be financed by employer contributions or pay-roll taxes.³⁰ The traditional *laissez faire* attitude of businessmen toward governmental regulation and the belief in "rugged individualism" were other factors weighing against such legislation. Prior to the last great depression the consensus of the public was that American citizens could in the main provide for their own security by individual savings; that unemployment was usually the fault of the individual; and that unemployment insurance was a debasing "dole" which subsidized men for being idle and led them to shun work.³¹

²⁹ Industries or employments have been designated as seasonal in Alaska, Arizona, Delaware, Florida, Hawaii, Mississippi, Washington, and Wisconsin.

³⁰ Douglas, *Standards of Unemployment Insurance*, p. 23; Committee on Economic Security, *op. cit.*, p. 91; cf. Burns, *op. cit.*, pp. 54-55.

³¹ Paul H. Douglas, *Social Security in the United States* (New York: McGraw-Hill Book Co., Inc., 1939), pp. 3-4.

THE SOCIAL SECURITY ACT

Proponents of unemployment compensation urged the federal government to take some action to remove this obstacle of interstate competitive disadvantage, and on August 14, 1935, Congress inaugurated a new era in our social policy by enacting the Social Security Act, Titles III and IX of which established the basis for a co-operative federal-state system of unemployment compensation.³² These titles did not set up a federal system for the payment of unemployment benefits but made it possible for individual states to establish their own plans by removing the obstacle of interstate competition.³³ Title IX levies a pay-roll tax on employers of eight or more persons, with certain employments excepted, and allows employers to credit against the federal tax the amounts which they contribute to unemployment compensation funds under a state law approved by the Social Security Board.³⁴ By July 1, 1937, every state in the country, the District of Columbia, Alaska, and Hawaii had passed laws to compensate their industrial and commercial workers during short periods of involuntary unemployment.³⁵ These acts make no attempt to protect unemployable persons such as those who are so old or so handicapped physically that they are unable to work.³⁶

Although recognizing the need for uniformity in state action, the Social Security Act did not prescribe the funda-

³² Social Security Board, *op. cit.*, pp. 23-33.

³³ *Ibid.*, p. 29; Patrick H. Mears, "The Florida Unemployment Compensation Law," *Florida Law Journal* (Lakeland, Fla.: Florida State Bar Association), XLV, No. 3 (March, 1940), 82-87.

³⁴ Social Security Board, *op. cit.*, pp. 29-33.

³⁵ *Ibid.*, p. 35.

³⁶ *Ibid.*, p. 8.

mental provisions of the state unemployment compensation laws but provided that such laws must meet certain minimum requirements intended merely to define a genuine unemployment compensation law as distinguished from relief and to safeguard the solvency of the fund.³⁷ Uniformity was left to be accomplished through voluntary state action encouraged by the federal government, and most of the original state unemployment compensation laws were based on a draft bill and suggested draft amendments thereto prepared by the Social Security Board.³⁸

ELIGIBILITY UNDER STATE LAWS

Under all state unemployment compensation laws there are definite eligibility requirements that each individual must meet before he can receive benefits.³⁹ In order to insure that expenditures from the fund are made only to persons who are usually engaged in regular employment, a worker must have been employed in an occupation covered by the law for a specified period of time or must have earned wages in covered employment equal to a specified amount within a specified past period to be eligible for benefits.⁴⁰ Thirty-five states provide for variable duration of benefits in which an individual worker's benefit duration is computed as a fraction of his base-period earnings, usually with a maximum provided in the law. The other states provide uniform duration for all

eligible workers or for all but the lowest-paid groups. The most common maximum duration of benefits during a year is sixteen times the claimant's weekly benefit amount, this maximum being provided in twenty-five states.⁴¹ When the worker becomes unemployed, he must register as unemployed, file a claim for benefits, be able and willing to work, register for work at a public employment office, and thereafter continue to report at such office at regular intervals, usually weekly.⁴²

From 15 to 20 per cent of all claims filed in the United States are disallowed because the claimants either have no wage credits or insufficient wage credits from insured work during a base period.⁴³ A worker's benefit rights are determined on the basis of his employment record or earnings in covered work over a prior period, which is ordinarily called the "base period," and consists of a year or two years preceding the time he becomes unemployed. A one-year base period is used in forty-four of the states; two years in five states; and the other two have varying provisions.⁴⁴ Prior to the revision of its earnings requirement effective July 1, 1941, Florida led all other states in number of claims disallowed, reaching a high of 55.1 per cent for the second quarter of 1941 and dropping to 30.7 per cent in the succeeding quarter.⁴⁵

⁴¹ *Ibid.*, pp. 92-96.

⁴² *Ibid.*, pp. 110-11.

³⁷ *Ibid.*, pp. 31, 37; Committee on Economic Security, *op. cit.*, pp. 105-33.

³⁸ Burns, *op. cit.*, pp. 236-37; Committee on Economic Security, *op. cit.*, pp. 95-104.

³⁹ Social Security Board, *Comparison of State Unemployment Compensation Laws as of December 31, 1941* ("Employment Security Memorandum," No. 8 [Washington: Government Printing Office, 1942]).

⁴⁰ *Ibid.*, pp. 68-69.

⁴³ Social Security Board, *Social Security Yearbook, 1939* (Washington: Superintendent of Documents, August, 1940), p. 119; Table 7, p. 111; Chart 9, p. 118.

⁴⁴ As used in this study the term "states" generally includes the District of Columbia, Alaska, and Hawaii.

⁴⁵ Social Security Board, *Social Security Bulletin*, IV, No. 9 (September, 1941), 68; Chart 7, p. 66; and Table 10, p. 67; *ibid.*, IV, No. 12 (December, 1941), Chart 7, p. 64; Table 12, p. 65.

FINANCING THE PROGRAM

All the states finance their unemployment compensation benefits by requiring subject employers to pay contributions on the wages of covered workers.⁴⁶ Five states also require contributions from workers, and eight state laws permit voluntary contributions to be made to an employer's account.⁴⁷ The laws of forty-four states provide that all contributions shall become part of a state-wide pooled fund from which benefits are paid.⁴⁸ Seven state laws make provision for the establishment of individual employer reserve accounts to which contributions are credited and against which benefit payments are charged.⁴⁹ In these states a pooled account is also provided from which benefits may be paid if the employer's reserve account is exhausted.⁵⁰ Employers may credit their contributions to a state fund against the federal unemployment tax up to a maximum of 90 per cent of the federal tax.⁵¹ Title IX of the Social Security Act has been incorporated into the Federal Unemploy-

ment Tax Act, under which a subject employer is required to pay annually a tax of 3 per cent of the wages he has paid in covered employment.⁵² The Federal Unemployment Tax Act also allows "additional credit" against the tax for reduction in contributions required of an employer to a state unemployment compensation fund because of the operation of an experience rating scheme which meets the requirements of that act.

All the employer-reserve laws and thirty-one of the pooled-fund laws contain experience rating provisions whereby contribution rates may be varied in accordance with the individual employer's experience with the risk of unemployment.⁵³ The majority of these laws provide for crediting the individual employer's account with all or part of his contributions and for charging his account with benefits paid to his workers, variations in contribution rates depending on the ratio of the excess of contributions over benefits, to the annual payroll of the employer.⁵⁴

⁴⁶ *Ibid.*, p. 26.⁴⁹ *Ibid.*⁵² *Ibid.*⁴⁷ *Ibid.*, p. 27.⁵⁰ *Ibid.*⁵³ *Ibid.*, p. 27.⁴⁸ *Ibid.*, p. 26.⁵¹ *Ibid.*⁵⁴ *Ibid.*

CHAPTER II

DEALING WITH THE MORAL HAZARD

SINCE the unemployment compensation program is designed to pay benefits only to persons who are involuntarily unemployed and cannot find employment, although they are able and willing to work, benefits are paid on a week-to-week basis, and unemployment under certain conditions or for certain

periods is not compensated. Unemployment resulting from discharge for misconduct, quitting work voluntarily without good cause, failure to accept suitable work when offered, and labor disputes is usually considered as being outside the scope of the program, and most states disqualify for benefits persons

who are unemployed because of these reasons.¹

In all forms of insurance the moral hazard is always present, since there are individuals who attempt to benefit unjustly at the expense of the insurance system. The fire insurance companies must contend with those who would set fire to their property to collect for their loss; the life insurance companies must contend with those who would commit suicide in order that their beneficiaries might obtain the proceeds of their policies; and the health insurance companies must contend with malingerers. Any attempt to provide for this tendency in making the insurance rates is against public policy.² Whenever insurance can be purchased at a very low rate, there is always the danger that risks of poor moral hazard will be tempted to purchase it. The insurance companies avoid this situation by carefully limiting the amount of insurance, by investigation of applicants, or by requiring indemnity of the insured.³ Moral hazard embraces all those factors affecting the desirability of an insurance risk that are not of a physical nature, such as the personal habits of an individual and his past record as to integrity, carefulness, and insurance claims. Risks involving a known unfavorable moral hazard are commonly considered uninsurable by insurance companies. Yet it has been said that moral hazard constitutes as high as 90 per cent of the risk as-

sumed in some of the casualty lines.⁴ Ingeniously conceived frauds perpetrated against insurance companies are not infrequent; individuals have mutilated themselves in order to claim benefits, and thousands have intentionally prolonged their disabilities in order to continue receiving payments.⁵ These and many other matters must be considered and the practice of the insurance companies definitely fixed as to methods of dealing with them if dangerous losses are to be avoided. Some individuals regard accident insurance as an investment or speculation, and care has to be exercised that amounts collected are about double the losses sustained, otherwise the system would promote carelessness and malingering. The underwriting rule most commonly followed is that no individual should be accepted for an amount of weekly indemnity in excess of 80 per cent of his earnings.⁶

Individuals who deliberately or through gross carelessness commit misconduct connected with their work, who quit their jobs without cause, who are unwilling to accept suitable work, or who are participating in a labor dispute are poor moral risks for an unemployment insurance program. Therefore, just as health and accident insurance companies decrease the moral hazard by limiting the weekly indemnity to an amount less than the insured's weekly earnings, the unemployment compensation laws reduce moral hazard by limiting weekly unemployment benefits to a percentage of the applicant's earnings and by providing a maximum weekly benefit amount. The eligibility provisions of the laws further

¹ Social Security Board, *Unemployment Compensation—What and Why?* (Publication No. 14 [Washington: Government Printing Office, September, 1937]), pp. 46-47; Social Security Board, "Principles Underlying Disqualification for Benefits in Unemployment Compensation," Part I (Bureau Memorandum No. 32 [Washington: Social Security Board, August, 1938]) p. 1. (Mimeographed.)

² S. B. Ackerman, *Insurance* (New York: Ronald Press Co., 1938), p. 7.

³ *Ibid.*, pp. 27, 90, 95.

⁴ Clyde J. Crobaugh and Amos E. Redding, *Casualty Insurance* (New York: Prentice-Hall, Inc., 1929), pp. 11-12.

⁵ *Ibid.*, p. 56.

⁶ *Ibid.*, p. 57.

limit the moral hazard by providing that an unemployed individual shall be eligible to receive benefits only if he is registered for work at a public employment office, continues to report at such office at stated intervals, is able to work, is available for work, and during his base period has earned certain qualifying wages. However, these provisions alone are insufficient to eliminate the moral hazard. Therefore, the unemployment compensation laws provide tools whereby the administrative authorities may further decrease the risks of moral hazard. These tools are the disqualification provisions, the administration of which involves a certain amount of administrative discretion. Such disqualifications usually are for a period of weeks immediately following the week in which separation occurred, or for the duration of the labor dispute.⁷

As unemployment compensation is based upon a specific risk concept covering unemployment arising out of causes connected with the labor market, it is not intended to compensate unemployment existing because of conditions within the worker's control.⁸

In *Social Security in America*, published for the Committee on Economic Security by the Social Security Board in 1937, it is stated:

Certain basic concepts determine whether the unemployed are to be provided for under an insurance system or a plan of public aid or out-of-work donation. An application of the insurance principle in unemployment compensation means that an employee who fulfills certain

qualifying conditions becomes eligible for inalienable contractual rights. . . .

The policy underlying an unemployment compensation plan determines to what extent insurance principles will be maintained. . . .⁹

James W. Horwitz, in the Introduction to *The Risk of Unemployment and Its Effect on Unemployment Compensation*, states:

This study concerns itself with only that part of unemployment caused by cyclical movements, seasonal variations, and technological change. The state laws on unemployment compensation do not cover unemployment caused by illness or by old age. Consequently these two types of unemployment do not cause a drain on the funds collected by the states to pay unemployment compensation.

The study of the relative risks of unemployment in the various states is based on the realization that certain industries tend, typically, to have much more cyclical, seasonal, or technological unemployment than do others. It is well known, for example, that durable goods industries ordinarily are much more affected by cyclical movements of business than are consumption goods industries, that the women's clothing industry has much more seasonal variation than the men's clothing industry, and that the cotton textile industry has been moving from New England to the South. The nature of the industries present in a state tends to determine the percentage of unemployment in that state. The intent of this study has been to discover whether the industries present in different states would lead to similar or differing risks of unemployment.¹⁰

E. Wight Bakke, assistant professor of sociology at Yale University, points out:

A system of social insurance can be scientifically planned on the basis of a careful analysis of the hazards involved. . . .

⁹ Committee on Economic Security, *Social Security in America* (Washington: Government Printing Office, 1937), pp. 8-15.

⁷ Social Security Board, *Comparison of State Unemployment Compensation Laws as of December 31, 1941* ("Employment Security Memorandums," No. 8 [Washington: Government Printing Office, 1942]), pp. 117-19.

⁸ Social Security Board, "Principles Underlying Disqualifications," Part I, p. 1.

¹⁰ James W. Horwitz, *The Risk of Unemployment and Its Effect on Unemployment Compensation* ("Publication of the Graduate School of Business Administration, Harvard University," Vol. XXV, No. 5; "Business Research Studies," No. 21 [Boston: Graduate School of Business Administration, Harvard University, July, 1938]), p. 4.

How shall the benefits of this scheme be limited to workers who are genuinely unemployed? What is genuine unemployment? Whatever the interest of critics and planners, all have agreed that unemployment benefits were meant only for workers who were out of jobs because of forces beyond their own control.¹¹

REASONS FOR DISQUALIFICATION

The revised edition of the Social Security Board's *Draft Bill for State Unemployment Compensation* (January, 1937) provided for disqualifications in four types of cases in which unemployment is attributable to causes within the worker's control: those in which the worker has (1) left work voluntarily without good cause, (2) been discharged for misconduct connected with his work, or (3) failed without good cause either to apply for available suitable work when so directed by the employment office or to accept suitable work when offered him, or (4) become unemployed due to a stoppage of work which exists because of a labor dispute at the factory, establishment, or other premises at which he is or was last employed.¹² Disqualifications based on receipt of other remuneration are of another type, being included in various state laws because it was found inappropriate that individuals draw unemployment benefits while receiving other specified payments.¹³ Therefore, the scope of this study will be limited primarily to causes of disqualification attributable to factors within the worker's control. The labor-dispute disqualification is included in this group because unemployment due to a labor dispute is causally related to a controversy between workers and employers or workers and

workers, although the individual worker's unemployment as a result of such dispute may not be causally connected with his own voluntary behavior.¹⁴ Many state laws provide that a worker unemployed on account of a labor dispute shall be relieved of the disqualification if he is not participating in, or financing, or directly interested in the labor dispute, and does not belong to a grade or class of workers any of whom are participating in, or financing, or directly interested in the dispute.¹⁵

In *Standards of Unemployment Insurance*, Paul H. Douglas reasons thus:

It is the purpose of unemployment insurance to protect the worker against involuntary unemployment. When men go out on strike, whatever may be the merits of their action, they cannot be said to be unemployed against their will. It is, on the contrary, by their own will that they collectively leave work. For this reason, therefore, workers who are on strike are ineligible for benefits in virtually every unemployment insurance system in the world. . . .

Many lockouts occur simply because the employer knows that a strike is coming and gets there first. Similarly some strikes are waged because the workers are aware that if they do not do so, the employer will lock them out and they in consequence walk out in order to preserve the psychic value of the attack. It would, therefore, in practice be about as difficult for an administrative body to determine which of the parties to an industrial conflict actually took the aggressive as it is for the body of world opinion to decide which of two sets of national combatants in war is guilty of "offensive" war and which is merely fighting a "defensive" war. . . . Under the circumstances, therefore, the most sensible policy to follow would seem to be a refusal to pay benefits for workers directly thrown out of work whether because of strikes or lockouts. In this way, the state as such would observe a formal neutrality in the case of strikes and lockouts. . . . It would seem wise, therefore, not to

¹¹ *Insurance or Dole?* (New Haven: Yale University Press, 1935), pp. 9 and 26.

¹² Social Security Board, "Principles Underlying Disqualification," Part I, p. 2.

¹³ *Ibid.*, n. 2.

¹⁴ *Ibid.*, p. 4.

¹⁵ Social Security Board, *Comparison of State Unemployment Compensation Laws as of December 31, 1941*, pp. 130-31.

pay benefits to those who, thrown out of work by a strike, would directly and proximately profit from it.¹⁶

OBJECTIVE OR PURPOSE OF DISQUALIFICATION

The ultimate objective of all types of disqualification is to insure that benefits are paid only for involuntary unemployment due to labor-market conditions. Disqualifications are intended to prevent payment of benefits to workers whose unemployment is causally connected with their own voluntary behavior during the period their unemployment is more directly attributable to their own behavior than to conditions of the labor market, over which they have no control. In other words, a worker who is unemployed through his own choice should be disqualified until a time when his unemployment may properly be considered as occasioned by inability to find a job rather than due to its original cause, as unemployment benefits are intended for workers who are unemployed through no fault of their own.

While disqualifications are considered by some as a penalty intended to deter the worker from such behavior as might cause his unemployment, the better concept is to view them as an outright protective device with no penalty idea combined with it.¹⁷ Of course, a disqualification does operate in effect to penalize the worker. He will consider it in the light of a penalty. However, it is not the *object* of an unemployment compensation law to see that workers who voluntarily quit their jobs or are discharged for misconduct are punished or penalized for their

action of quitting or committing misconduct. If so, the law should provide some punishment or penalty for *all* workers who voluntarily quit without good cause or who are discharged for misconduct without regard to whether such workers have filed claims for benefits. Under normal conditions a worker has a right to quit or refuse a job. Therefore, why should he be "penalized" for exercising this acknowledged right? On the other hand, a worker who has just quit or refused a job without good cause does not have a "right" to unemployment benefits, because such benefits are for workers who are unemployed through no fault of their own. Therefore, while a disqualification is intended to prevent payment of benefits to such worker while he is voluntarily unemployed, it is in no sense intended to "punish" him for having quit or refused a job. In defining standards of disqualification and periods of disqualification, this difference becomes important.¹⁸ By considering the disqualification simply as a means of controlling the moral hazard, standards for imposing disqualifications may be fixed independently of any penal consideration. The period of disqualification should be adjusted as far as possible to the period during which a causal relationship exists between his behavior and his unemployment.

In the *Social Security Yearbook, 1939*, published by the Social Security Board, in discussing "Legislative Framework of Unemployment Compensation in 1939," it is stated that "in most states when workers are disqualified their benefits are postponed until a time (usually from one to six or nine weeks after the event) when the worker's unemployment is considered

¹⁶ Paul H. Douglas, *Standards of Unemployment Insurance* (Chicago: University of Chicago Press, 1933), pp. 59-62.

¹⁷ Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 4-6; *Social Security Year Book, 1939*, p. 100; *Social Security Year Book, 1941*, p. 95.

¹⁸ Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 4-6; *Social Security Year Book, 1939*, p. 100; *Social Security Year Book, 1941*, p. 95.

as occasioned by inability to find a job rather than due to its original cause."

"Principles Underlying Disqualifications for Benefits in Unemployment Compensation," a study prepared by Mr. Karl Pribram and Mr. Phillip Booth, of the Division of Unemployment Compensation Research, and Mr. Theodore Ellenbogen, of the General Counsel's Office of the Social Security Board, contains the following statement:

Although there is substantial agreement that the ultimate objective of all types of disqualification is to protect the compensation fund, the considerations which have led to the introduction of these provisions are not exactly the same for both groups. Moreover, some difference of opinion exists with respect to the question of how disqualification is to be interpreted when a causal relationship is found to exist between the worker's unemployment and his behavior. Disqualifications may be viewed as a penalty intended to deter the worker from such behavior as might cause his unemployment, or simply as a measure to exclude payment of benefits in such cases. If the latter view is accepted, disqualification is considered as an outright protective device and no penalty idea is combined with it. . . . However, adoption of the penalty concept is hardly compatible with the fact that the effective period of disqualification is largely dependent upon the conditions of the labor market. The disqualification imposed for a particular type of behavior may be no penalty at all for a worker who finds work at once, while it may be a severe penalty if the conditions of the labor market are such as to make reemployment impossible. It would be manifestly difficult to reconcile the ideas of justice and fairness with a situation in which the severity of the penalty would be determined in each case by conditions outside the control of the tribunal. . . . If disqualification is considered simply as a means of safeguarding the fund . . . the worker is to be disqualified when a causal relation can be established between his behavior and his unemployment, and the period of disqualification, when variable, is to be adjusted as far as possible to the period during which this causal relationship exists.¹⁹

EFFECT ON MOBILITY OF LABOR

The unemployment compensation laws have the potentiality of far-reaching effect on the mobility of labor. With the development of large-scale production and the mechanization of industry, families tend to move to urban centers to be near employment possibilities, or the individual members scatter in search of remunerative or steady work. In some areas industries have moved to new localities to be nearer raw materials, to use a cheaper labor supply, to avoid state or local taxes, or to evade pressures from organized labor. Former employees have sometimes followed these industries, and new families generally have come into the community in the hope of finding employment opportunities. Families and individuals move from place to place in search of seasonal employment—in agricultural fields, fisheries, orchards, canning plants, and other industries which frequently employ migratory labor. Also there have always been people who move about aimlessly from place to place, depending on temporary jobs or local charity for maintenance. This group may include some families who have moved about in an effort to seek a solution to their problem of unemployment. Unable to find permanent employment in a new community, they now have become adjusted to an itinerant way of life. Then there is mobility for personal reasons, to benefit by climatic conditions conducive to maintaining or recovering health, to be near relatives and friends, or to be near educational facilities and resources for children. The mobility of population is essentially a national problem and cannot be met by unco-ordinated local efforts.

The fact that we have separate state unemployment compensation systems

¹⁹ Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 4-6.

creates problems with respect to the benefit rights of workers who move from one state to another in search of employment. Provisions designed to render ineligible workers whose attachment to the normal labor market is questionable may result in unequal protection against unemployment for industrial migrants and other workers with comparable earnings. Migrants who would qualify for benefits if all their taxable wages had been reported in a single state are frequently ineligible because their earnings in no one state are sufficient to meet the minimum requirement. Others may qualify in some state, but their weekly benefit amount and total benefit credits are less than they would have been if all their wage credits had been combined.

The problems of the interstate worker have been recognized, and various special provisions for this group have been made under the state unemployment compensation systems. The interstate benefit-payment plan, under which each state unemployment agency serves as agent for other state agencies in the taking of claims, enables workers who have benefit rights in one state to receive benefits for total unemployment even though they are not residents of that state at the time they claim benefits. Furthermore, in order that all a worker's taxable wages from a single employer may be credited with one state agency even though the worker performs services in more than one state, the majority of state laws define covered employment to include an individual's entire service with one employer if the major part of the service is performed in the state, or if the base of operations is within the state, or in case the base of operations is outside all states in which the service is performed, if the worker resides in the state. These provisions, however, do not protect the

migrants who fail to qualify in any one state under present separate systems. This group can be protected only through the use of all their wage credits in the determination of their benefit rights.²⁰ Although all state laws authorize reciprocal arrangements, until recently no states had made agreements whereby a worker's wage credits in different states could be combined to determine eligibility under a single agency.

On February 8, 1944, eleven states gave notice that they had subscribed to a reciprocal plan for combining wage credits, and by April 1, 1944, five additional states had subscribed.²¹ Other states, including Florida, have indicated their intention to participate in this arrangement for the protection of interstate workers.

It may be contended that unemployment compensation benefits have operated to lessen the pressure toward mobility. If each state limited the payment of benefits to its unemployed workers who remained within the state's boundaries, the payment of benefits would operate to restrict mobility. However, all the states have subscribed to the Interstate Benefit Plan, whereby a worker may register for work at any United States Employment Service office in any state and there file claim for benefits against his home state. If he is "available for work" to the office where he is so registered, he is considered to have satisfied the availability requirement of the state against which he is claiming benefits. Therefore, many workers mi-

²⁰ Ida C. Merriam and Elizabeth T. Bliss, "Effect of Migration on Unemployment Benefit Rights," *Social Security Bulletin*, IV, No. 9 (September, 1941), 3-11.

²¹ Alaska, Colorado, Connecticut, Delaware, Idaho, Iowa, Louisiana, Missouri, North Carolina, North Dakota, New York, South Dakota, Vermont, West Virginia, Wisconsin, and Wyoming.

grate from one state to another [seeking work, because they can continue drawing benefits while seeking work in the other state. Interstate comity in handling benefit claims thus counteracts to some extent any tendency of unemployment compensation benefits to operate to lessen the pressure toward mobility. Unemployed workers who have been disqualified for a length of time are possibly less likely to migrate. Their source of income has been cut off, and they may tend to remain at home until the disqualification period has expired or while they are prosecuting an appeal in an attempt to have the disqualification vacated.

The fact that a worker will be disqualified if he refuses to accept suitable work may to some extent operate to assist in maintaining labor mobility. For instance, at present there is no heavy construction going on in St. Petersburg, Florida, and no prospects of any such construction being commenced for some time. Therefore, a heavy-construction electrical worker at St. Petersburg was recently disqualified for refusing to accept work as an electrical worker in a shipyard at Tampa. It was considered that the work at Tampa was "suitable work" for him because of his lack of prospects for obtaining work in his home town. Carpenters residing in inactive areas in Florida are often disqualified for refusing to accept carpenter work in other more active areas in Florida if they do not have "good cause" for refusing such work. No additional or different reason for disqualification is necessary to maintain essential mobility in the labor market, since the law already provides a disqualification for failure to apply for or accept suitable work. The construction of the term "suitable work" may operate to affect labor mobility.

When there is no reasonable prospect of a worker's obtaining work in his usual trade or occupation, it is usually held that other work which he is capable of performing thereby becomes suitable work for him.

TREND TOWARD MORE SEVERE DISQUALIFICATIONS

As the theory underlying disqualifications is to assure that benefits are paid only to individuals who are involuntarily unemployed because of inability to obtain work, the disqualification provisions in the early state laws were for relatively short periods, and unemployment beyond such periods was considered due to conditions of the labor market.²² However, there has been a growing trend since 1939 to consider disqualification as a punishment imposed upon the worker, and this is reflected in the amendments adopted by many states extending their disqualification periods or reducing the amount of benefits otherwise payable.²³

Disqualifications were made more severe in most of the states which amended their disqualification provisions in 1939.²⁴ The disqualification period for voluntarily leaving work was increased in thirteen states; that for discharge for misconduct was increased in twelve

²² Merriam and Bliss, *op. cit.*, pp. 10-13; Social Security Board, *Draft Bill for State Unemployment Compensation* (rev. ed.; January, 1937); Harry A. Millis and Royal E. Montgomery, *Labor's Risks and Social Insurance* (New York: McGraw-Hill Book Co., Inc., 1938), p. 172, nn. 1, 2, and 3.

²³ Social Security Board, *Comparison of State Unemployment Compensation Laws as of December 31, 1941*, pp. 117-42; "Operations of the Employment Security Program," *Social Security Bulletin*, IV (April, 1941), 81-82; *ibid.*, May, 1941, pp. 60-61; *ibid.*, June, 1941, pp. 49-50; *ibid.*, July, 1941, p. 48; *ibid.*, August, 1941, p. 60; *ibid.*, December, 1941, p. 66.

²⁴ Social Security Board, "Legislative Framework of Unemployment Compensation in 1939," *Social Security Year Book*, 1939, pp. 99-100, 105.

states; and that for failure to accept suitable work was increased in nine states.²⁵ Also nine states added a reduction in benefit rights in one or more of these categories, and several extended the period of disqualification to the entire duration of the claimant's period of unemployment.²⁶

In 1941 the trend toward more severe disqualifications continued.²⁷ Thirteen states increased the period of disqualification for voluntary leaving; nine increased the period imposed for discharge for misconduct; and eight increased the length of disqualification for failure to accept suitable work. Again, several states added provisions for reduction in benefit rights. Only with respect to the labor-dispute disqualification was there a tendency to relax. Thirteen states amended their labor-dispute disqualifications in 1941 to provide additional exceptions therefrom, three states making the disqualification not applicable in cases of lockout, and others making it not applicable under various circumstances in which the employer is at fault.²⁸

As the function of interpreting the provisions of a state law is vested in the agency charged with the administration of the act, it is for the agency to determine whether the unemployment of a claimant is due to one of the disqualifying causes.²⁹ The Social Security Act provides that the Social Security Board shall make no certification for payment to any state of funds for the purpose of assisting such state in the administration of its unemployment compensation law unless the law of the state includes

provision for opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for compensation are denied.³⁰ All the states have therefore made provision for some form of appeal tribunal to hear and decide disputed claims.³¹ The initial determination of any disqualification, and the decision of any appeal therefrom, involves three steps: (1) the facts and circumstances surrounding them must be determined; (2) it must be ascertained whether the facts found justify the imposition of a disqualification; and (3) it must be decided whether a causal relationship exists between the facts and the worker's unemployment.³² Any person who alleges a fact relevant to the determination can be required to furnish proof thereof, but it is the duty of the agency or tribunal to ascertain the facts.³³ Thus, if an employer alleges that he discharged a worker for misconduct, the worker should not be required to bear the affirmative burden of presenting proof that he was not discharged for misconduct.³⁴

Although the section of the unemployment compensation law providing for disqualifications makes it mandatory that an individual be disqualified if he comes within the scope of any of the provisions, the causes of disqualification are stated in such general terms that it is often necessary for the administrative agency to issue regulations or interpretations implementing the legal provisions. In issuing these regulations or interpre-

³⁰ *Social Security Act*, Title III, sec. 303(a)(3).

³¹ Social Security Board, *Comparison of State Unemployment Compensation Laws as of December 31, 1941*, pp. 143, 148-52.

³² Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 6-7.

³³ *Ibid.*

³⁴ *Ibid.*

²⁵ *Ibid.*

²⁷ See n. 23.

²⁶ *Ibid.*

²⁸ See n. 23.

²⁹ Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 6-7.

tations, the administrator may take into consideration economic conditions affecting the labor market. For instance, the law provides that an individual shall be disqualified if the agency finds that he has failed without good cause to apply for available suitable work when so directed. To administer this provision the agency must interpret "good cause" and "suitable work." During a period of labor surplus the administrator may rule that an offer of work 50 miles distant from an individual's residence is not "suitable work" for him or that the individual has good cause to refuse it. However, in a period of labor scarcity during which the government is encouraging individuals to migrate to places where their services are urgently needed in war production, the administrator may rule that under certain circumstances work offered in another state is suitable for an individual who has no prospects for securing local work in his customary occupation. The appeals referees, examiners, and review boards who determine appeals from the administrator's decisions usually follow the rulings, interpretations, and policy of the administrative agency, provided such rulings, interpretations, and policies are reasonable constructions of the law. In a recent decision involving a girl who quit her job in a grocery store "because all the boys were drafted and we girls had to do too much," an appeals referee in Florida held:

The disqualification for voluntarily leaving work is based upon the principle that a claimant will be compensated only for involuntary unemployment and not for that which is attributable to his own acts. Where circumstances beyond a claimant's control require him to give up his employment, the resulting unemployment may be said to be involuntary and not caused by his own acts. The "good cause" provision was intended to leave the worker free to give up his

job without loss of benefits when the terms or conditions of his employment furnish a sound and substantial reason for leaving.

However, the eligibility and disqualification provisions of the Unemployment Compensation Law should be interpreted and applied, to the extent that the statutory language permits, to meet the altered conditions of the labor market and to promote the most effective utilization of labor in the interests of the present national emergency. The weight to be given each of the factors to be considered in determining whether an individual has good cause for leaving a particular position or work in a particular locality will depend on the circumstances of the individual case, and the conditions of the labor market. The same weight formerly given to an individual's preference and even his personal convenience is not now consistent with policies designed to promote the maximum utilization of labor for the war effort. A worker is considered by the War Manpower Commission as having good cause for leaving a job if he would be subjected to unreasonable personal hardship by reason of remaining on such job, that is, hardship above and beyond the personal difficulties and sacrifices which should be willingly accepted by all persons during the war. The fact that a worker is subjected to some inconveniences by reason of remaining at work in a particular job does not establish good cause for leaving such work unless the hardship is unreasonable in the light of wartime conditions.³⁵

Thus, dealing with disqualification is a matter of (1) legal provisions, (2) administrative regulations, interpretations, or rulings, and (3) administrative and quasi-judicial application and interpretation of the legal provisions and the administrative rulings. The interpretations and application are affected by economic conditions and may be colored by personalities of the administrator or board members who are often subjected to external pressures. Differences in the administration of disqualifications among the states may derive from any of these sources.

³⁵ Florida Unemployment Compensation Board of Review, "Appeals Referee's Decision No. 1670," January 5, 1944.

CHAPTER III

TYPES OF DISQUALIFICATION PROVISIONS IN STATE LAWS

THE disqualification provisions in the state laws were largely influenced by the corresponding provisions of British unemployment insurance acts and British experience.¹ Under the British National Insurance Act, an insured person could be disqualified (1) if he lost his employment by reason of a trade dispute; (2) if he lost his employment through misconduct; (3) if he lost his employment through voluntarily leaving without just cause; (4) if without good cause he refused or failed to apply for a situation notified to him by an Employment Exchange; (5) while an inmate of any prison, workhouse, or other institution supported out of public funds; and (6) while receiving sickness or disability benefits under the National Health Insurance Act.² Decisions of the British unemployment insurance umpire on contested claims have been valuable to the states as precedents in interpreting the disqualification provisions of their own acts.³ The maximum period of disqualification under the British National Insurance Act is six weeks, except in cases involving trade disputes, although the length of the maximum benefit period

under the British system is much longer than that of most of the states.⁴ (In England the maximum period of benefits is normally 156 days;⁵ under most state laws it cannot generally exceed 16 weeks.)⁶

Every state unemployment compensation law provides that workers are disqualified for benefits under certain conditions.⁷ All now provide some disqualification of workers who have left their jobs voluntarily without good cause, of workers who have refused to accept suitable work, and of workers on strike or unemployed because of a labor dispute.⁸ Pennsylvania is the only state which does not disqualify workers who have been discharged for misconduct.⁹ In forty-six states the receipt of benefits under an unemployment compensation law of another state or the federal government is a cause of disqualification, and in many states workers are disqualified while receiving workmen's compensation for temporary partial disability or other specified types of remuneration, such as old age benefits.¹⁰ Some state laws contain other miscellaneous causes for disqualification, such as misrepresentation, disciplinary suspensions, unemployment

¹ Social Security Board, "Principles Underlying Disqualifications for Benefits in Unemployment Compensation" (Washington: Social Security Board, 1938), Part I, p. 9. (Mimeographed.)

² Walter Matscheck, "Administration of Unemployment Insurance and the Public Employment Service in Great Britain" (Washington: Social Security Board, n.d.), pp. 82-83. (Mimeographed.) One of a series of studies under the auspices of the Committee on Public Administration of the Social Science Research Council and prepared at the request of the Bureau of Unemployment Compensation of the Social Security Board.

³ Social Security Board, *op. cit.*, p. 9.

⁴ Matscheck, *op. cit.*, p. 82.

⁵ Paul H. Douglas, *Standards of Unemployment Insurance* (Chicago: University of Chicago Press, 1933), p. 63.

⁶ Social Security Board, *Comparison of State Unemployment Compensation Laws, December 31, 1941* ("Employment Security Memorandum," No. 8 [Washington: Government Printing Office, 1942]), pp. 91-96.

⁷ *Ibid.*, p. 117.

⁹ *Ibid.*

⁸ *Ibid.*

¹⁰ *Ibid.*

due to a catastrophe, and marital status of women under certain conditions.¹¹ All state laws contain some provision designed to prevent payment of benefits to individuals who are unable to work or unavailable for work. Although such provision generally is included in the section of the law listing eligibility conditions, it is a complement to the disqualification provisions and is a useful tool in administering moral hazard.¹²

DURATION AND EXTENT OF DISQUALIFICATIONS

Usually the period of disqualification may be set by the agency administering the law within the limits prescribed by the act, but in some instances it is set as a flat period in the statute, and the agency merely determines whether or not it applies.¹³ Generally the disqualification period consists of consecutive weeks which immediately follow the occurrence of the disqualifying act, regardless of employment or eligibility status during such weeks, and is in addition to the usual waiting period.¹⁴ Some state laws provide in connection with disqualifications that all or a part of the benefits payable to an individual may be canceled in addition to the usual suspension of benefits for a period of weeks.

Although the reasons for which a worker may be disqualified for benefits are stated in similar terms in most state laws, such similarity does not extend to the methods of disqualification. Periods

of disqualification usually commence with the week in which the worker became unemployed, but there is great diversity in defining periods of disqualification. Five general types of provisions are contained in the various state laws, as follows:

1. Disqualification by suspending benefits for a fixed or flat number of weeks immediately following the week in which the disqualifying act occurred; or by suspending benefits for a period of weeks, to be determined by the agency within the limits of a minimum and maximum fixed by the law.

2. Suspension of benefits for a period of weeks, either flat or flexible, together with mandatory reduction in potential duration of benefits, usually by charging each week of disqualification as if benefits for such week had been paid.

3. Suspension of benefits for a period of weeks, either flat or flexible, together with discretionary authority in the agency to reduce potential duration of benefits, usually such reduction not to exceed the number of weeks of suspension.

4. Disqualification for the duration of the period of unemployment immediately following the disqualifying act.

5. Cancellation of all wage credits for past employment; or cancellation of all wage credits earned in the employment which claimant has left voluntarily or because of discharge for misconduct.¹⁵

In forty-seven jurisdictions the disqualification in labor dispute cases is similar to the fourth type, being for the duration of the stoppage of work caused by the dispute or while the dispute is in active progress. Only New York, Pennsylvania, Rhode Island, and Tennessee have the first type of provision (a limited number of weeks) with respect to labor disputes. The "disqualification" imposed on claimants who are not able to work or not available for work is also similar to the fourth type, being for the duration of their inability or unavaila-

¹¹ *Ibid.*

¹² Social Security Board, "Issues Involved in Decisions on Disputed Claims for Unemployment Benefits" (reprinted from *Social Security Year Book*, 1940), pp. 34-35.

¹³ Social Security Board, *Comparison of State Unemployment Compensation Laws*, December 31, 1941, p. 117.

¹⁴ *Ibid.*

¹⁵ Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 10-15.

bility; and all state laws contain some provision designed to prevent payment of benefits during periods of inability or unavailability.

There is, however, great diversity among the states in defining periods or types of disqualification for voluntarily leaving work, discharge for misconduct, and refusal of suitable work. In fact, one state law will often provide different types of disqualification for each of these reasons for disqualification. Therefore, it is impossible strictly to classify the various states under the five types of disqualification enumerated hereinabove. However, by considering each state law as three separate provisions, with the fifty-one states and territories having 153 separate provisions relating to one of these three reasons for disqualification, the 153 separate provisions may be grouped or classified under the five general types of disqualification. Such classification of the provisions of the 1937 laws compared with the provisions of the current laws is presented in Table 2.

From this tabulation it appears that approximately two-thirds of the disqualification provisions contained in the early state laws did not provide disqualifications in excess of the British maximum of six weeks. During the succeeding six years, however, one after another of the states amended their laws to provide harsher disqualifications, and now almost one-half of the disqualification provisions provide for mandatory reduction of benefits, disqualification for the duration of unemployment, or cancellation of wage credits.

A more detailed comparison of the disqualifications provided in the early state laws with those provided in current state laws, with respect to discharge for misconduct, voluntary leaving, and

refusal of suitable work, is presented in Table 3.

As many individuals are multistate or interstate workers, accumulating wage credits under the laws of more than one state, and may at different times file claims in different states, it would appear desirable to have a greater degree of uniformity in the eligibility conditions and methods of disqualification in the various states.¹⁶ Also, as the primary purpose of disqualification is to provide means of decreasing the moral hazard, it would appear that disqualifications best designed to accomplish this purpose might be uniform in all states. The conditions under which disqualifications are to be imposed should first be determined. Then the type of disqualification best designed to accomplish the primary purpose without unjustly penalizing the workers may be ascertained by a study of both foreign and domestic experience in administering unemployment compensation. With the penalty concept definitely rejected,¹⁷ it naturally follows that the disqualification should be sufficiently severe only to accomplish its purpose without penalizing the worker beyond that point. Thus, if nearly all workers discharged for misconduct succeeded in securing other employment within eight weeks, it would seem that a disqualification suspending payment of benefits for eight weeks following separation would constitute ample protection against moral hazard and that a cancellation of all the worker's wage credits would be more of a penalty than a safeguard.

¹⁶ Social Security Board, *Social Security Year Book, 1939* (Washington, 1940), pp. 117-19; Table 8, pp. 112-13.

¹⁷ Social Security Board, "Principles Underlying Disqualifications," Part I, pp. 4-6.

Social Security Board, *Social Security Year Book, 1939*, p. 100.

A DEFENSIBLE SYSTEM OF
DISQUALIFICATIONS

a) *Labor disputes*.—When workers go out on strike, it is by their own collective will that they leave work. Therefore, whatever may be the merits of their action, it cannot be said that they are involuntarily unemployed. For this reason, workers who are on strike are disqualified for benefits under nearly all the unemployment insurance systems in the world.¹⁸ Therefore, as the purpose of unemployment compensation is to protect the worker against involuntary unemployment, no valid argument can be presented against including unemployment due to strikes among the types of unemployment to which disqualification is applied, provided some safeguard is included to protect workers whose unemployment is only indirectly due to the strike and who have no interest therein. In order that the state may observe complete neutrality in labor disputes, benefits should be denied during lockouts in the same manner as during strikes.¹⁹ Many lockouts occur simply because the employer knows that a strike is coming and manages to make the first move in the dispute. Therefore, all unemployment due to labor disputes must be treated in the same manner in order that the administrators of the unemployment compensation program may avoid attempting to judge the merits of a labor dispute. While there is a stoppage of work or the dispute is in active progress, the workers who are unemployed on account of such dispute should generally be disqualified for benefits. Otherwise, benefits to the workers would amount to economic pressure in their behalf against the employer.²⁰

The principal problem in connection with this disqualification appears to be to so word the statutory provision as to include within the disqualification all the workers who are participating in or directly interested in the labor dispute but exclude therefrom any workers not participating in or directly interested in the dispute whose unemployment is entirely involuntary or "through no fault of their own." The proper period of disqualification does not appear difficult to determine. The purpose of this disqualification can be accomplished by disqualifying the workers for the duration of the stoppage of work or while the dispute is in active progress.

b) *Voluntarily leaving work and discharge for misconduct*.—When a worker leaves his job without good cause, it cannot be said that his unemployment immediately thereafter is involuntary. Likewise, if he is discharged for misconduct connected with his work, his immediate unemployment is largely the result of his voluntary actions.²¹ To pay unemployment compensation under such circumstances would be to compensate workers for unemployment which in its origin at least is due to their own initiative or fault, and is not within the risk concept of unemployment insurance.²² Therefore, benefits should not be immediately paid to workers whose unemployment originates under such circumstances. The maximum disqualification imposed in such cases under the British act is six weeks.²³ Under the German law the maximum is usually the same,²⁴ al-

²¹ Social Security Board, "Principles Underlying Disqualification," Part II (November, 1939), p. 2.

²² *Ibid.*, Part I, p. 1.

²³ Matscheck, *op. cit.*, p. 82.

²⁴ Robert Frase, "The Administration of Unemployment Insurance and the Public Employment Service in Germany" (Washington: Social Security Board, January, 1938), pp. 28-29. (Mimeographed.)

¹⁸ Douglas, *op. cit.*, pp. 59-62.

¹⁹ *Ibid.*

²⁰ *Ibid.*

though it may be extended to twelve weeks under special circumstances. In Wisconsin and other states benefit rights based on employment by the employer by whom the worker was discharged or whose employment he left are permanently barred and the worker may be disqualified for benefits from previous employers' accounts for the week of separation and the three or four following weeks.²⁵ Paul H. Douglas, in his *Standards of Unemployment Insurance*, makes the following observation:

While I would not favor permanent disqualification in all such cases, as is provided under the Wisconsin Act, it would nevertheless be well to provide for more stringent measures than are contained in the German and British laws. I would suggest, therefore, that a minimum disqualification for benefits should be imposed, in addition to the waiting period, of six weeks or a total of eight weeks and to prevent possible victimization of claimants, a maximum of twelve weeks.²⁶

The North Carolina act comes nearest to this suggested standard with a disqualification of four to twelve weeks for voluntary leaving and of five to twelve weeks for discharge for misconduct.²⁷ While Florida has no minimum, until amended in 1943 its law provided that the disqualification shall be for not more than the twelve weeks which immediately follow the week of separation, thus fixing the maximum weeks at the figure suggested by Douglas.²⁸ Prior to 1942 and 1943 amendments, a maximum of

between seven and nine weeks was the disqualification most frequently imposed under the state laws, ten states having such maximum for voluntary leaving and sixteen having it for discharge for misconduct.²⁹ However, some of these also have either mandatory or discretionary authority to make some reduction in benefit rights in addition to the suspension of benefit payments.³⁰

Under the unemployment insurance laws in effect in many European countries in 1938, workers who left their work voluntarily without good cause or were discharged for misconduct connected with their work were disqualified for the duration of their unemployment.³¹ Eight of fifteen laws examined contained such provisions.³² However, the laws of Belgium, Italy, and Sweden imposed flat disqualifications of four weeks or one month for voluntary leaving or discharge for misconduct, and Austria imposed a flexible disqualification of four to eight weeks.³³ Great Britain and the Irish Free State have a flexible disqualification period of from one to six weeks, or up to six weeks in each case.³⁴ The disqualification provision in the German law in 1938 is of particular interest. It provided that no benefit is payable for six weeks to persons who have given up employment without sufficient or approved reasons or who have lost employment through conduct justifying dismissal without no-

²⁵ Social Security Board, *Comparison of State Unemployment Compensation Laws, December, 1941*, pp. 117-25.

²⁶ *Op. cit.*, p. 63.

²⁷ However, it also provides for a reduction in benefit credits.

²⁸ *Florida Statutes, 1941*, sec. 443.06(1). Amended in 1943 to provide that disqualification shall continue for the full period of unemployment next ensuing, and until the claimant has become re-employed and has earned a specified amount of wages.

²⁹ Social Security Board, *Comparison of State Unemployment Compensation Laws, December, 1941*, pp. 121-22, 124-25.

³⁰ *Ibid.*

³¹ Social Security Board, *Abstract of Unemployment Insurance Legislation in European Countries*, II (Bureau Memorandum No. 30 [Washington: Social Security Board, May, 1938]) 308-47. This report was prepared for the Committee on Social Security of the Social Science Research Council by Reanz Huber.

³² *Ibid.*

³³ *Ibid.*

³⁴ *Ibid.*

tice but that the authority making the determination may reduce this period of disqualification to one-half if the circumstances in the case justify a more lenient decision or extend it to not more than twice the period in the more serious cases, including cases of repetition.³⁵ Thus, in effect, the German disqualification is a flexible one of from three to twelve weeks, as determined by the administrative authority, with a period of six weeks fixed as the norm.

State laws containing flexible disqualification periods do not fix any norm, and claims examiners often tend to assess in all average cases a period only slightly under the maximum fixed by law.³⁶ Fifty cases determined prior to July, 1943, in Florida in which disqualifications were imposed for voluntary quitting were selected at random. In twenty-nine of these cases the then maximum disqualification period was imposed; in sixteen the disqualification was very slightly under the maximum, being for the week of separation and the ten weeks immediately following; and in the other five cases the disqualification was for the separation week and the seven weeks following. Ninety per cent of these disqualifications were at or near the maximum, and only the remaining 10 per cent were near but slightly above the apparent "norm" under the Florida law, which provided that an individual shall be disqualified for benefits for the week in which he left his work voluntarily without good cause and "for not more than the twelve weeks which immediately follow such week, as determined by the Commission in each case according to . . . the circumstances in each case."³⁷

The Florida claims examiners are apparently more lenient with claimants who are discharged for misconduct. In a similar group of misconduct disqualifications examined, approximately one-half were for periods of ten to twelve weeks, and the other half for periods of five to seven weeks.

c) *Refusal of work or to take training.*— If an unemployed worker refuses to accept "suitable work," his unemployment immediately following such refusal cannot be said to be involuntary, and therefore he is not in the class of workers intended to be protected by unemployment insurance.³⁸ Consequently, to decrease this moral hazard and prevent paying benefits to a worker during the period his unemployment is not involuntary under such circumstances, some disqualification should be imposed on a worker who has refused suitable work. Criteria for determining the suitability of work for an individual should be contained in the unemployment compensation law.³⁹ The worker should be given adequate opportunity to find work in his own trade and locality before being subject to a disqualification for failure to accept work in another trade or in another locality,⁴⁰ but conditions of the labor market, including mobility of labor and emergency demands for manpower, should also be given due consideration in this connection. Douglas suggests that in the case of single men, it would seem that not more than three months at the outside should be given to

continue for the full period of unemployment next ensuing and until specified wages have been earned.

³⁸ Eveline M. Burns, *Toward Social Security* (New York: McGraw-Hill Book Co., Inc., 1936), p. 77.

³⁹ Douglas, *op. cit.*, p. 67.

⁴⁰ *Ibid.*, p. 77.

³⁵ *Ibid.*, pp. 322-23.

³⁶ See Tables 5, 6, and 7 in the Appendix.

³⁷ *Florida Statutes, 1941*, chap. 443, sec. 443.06(1). Now amended to provide that disqualification shall

the workers to establish themselves in similar work in the same locality before they are asked to take suitable work elsewhere on penalty of losing benefits.⁴¹ Workers with heavy family responsibilities and attachments should not be expected to accept work away from their home localities until after the passage of a sufficient period of time, possibly three months. In a national emergency, such as during wartime when workers are urgently needed in the war industries, less emphasis may be placed on the convenience of the worker in determining the suitability of work for him.

It has been suggested that those receiving unemployment benefits should, so far as practicable, devote at least a part of their time to receiving training in skills which will make them more available for work and that the refusal of a worker to take such training be a ground for disqualification for benefits.⁴² This is a phase of the matter which has been neglected by present laws in this country.

In England adult training is treated as a function of placement—to make more employable through training persons who are unable to obtain work because of lack of training or because the occupation in which they have training or experience does not offer any opportunity and to keep unemployed workers in employable physical and mental condition.⁴³ Children between the ages of fourteen and eighteen who have been employed are eligible for training under a juvenile department, which arranges courses designed to equip unemployed juveniles for employment.⁴⁴ Training centers resemble factories in procedure,

activity, and discipline.⁴⁵ Men for training are selected from the unemployed registers by joint action of the Employment Office and Training Center and are asked if they would like to take courses designed to assist them in securing employment.⁴⁶ They are advised that the taking of such courses will not affect their eligibility for unemployment benefits and that, while taking training, they will receive an additional allowance. However, adults are not disqualified if they refuse to attend the training centers. If a juvenile refuses to attend instruction classes, he may be disqualified for benefits.

During 1934, training courses were taken by 341,625 unemployed workers in Germany.⁴⁷ Workers refusing to take such courses were subject to disqualification for benefits.⁴⁸

Under the systems in effect in most European countries in 1938, a worker who refused suitable employment was disqualified for benefits for the duration of his unemployment.⁴⁹ In Great Britain this disqualification may not exceed six weeks.⁵⁰ In Germany the disqualification for refusing suitable employment is usually for six weeks, but this period may be reduced to three weeks or extended to twelve weeks if the circumstances in the case justify.⁵¹ In the United States the most frequently imposed maximum in 1941 was between five and seven weeks, twenty-two state laws containing such maximum on suspension of benefits for refusal of work.⁵² Thirty-four states then

⁴⁵ *Ibid.*, p. 121.

⁴⁷ Frase, *op. cit.*, p. 17.

⁴⁶ *Ibid.*

⁴⁸ *Ibid.*, p. 101.

⁴⁹ Social Security Board, *Abstract of Unemployment Insurance Legislation in European Countries*, Vol. II.

⁵⁰ *Ibid.*, p. 327.

⁵¹ *Ibid.*, p. 324.

⁵² Social Security Board, *Comparison of State Unemployment Compensation Laws, December 31, 1941*, pp. 125-29.

⁴¹ *Ibid.*, pp. 77-78.

⁴² *Ibid.*, p. 78.

⁴³ Matscheck, *op. cit.*, pp. 121-26.

⁴⁴ *Ibid.*, pp. 110-21.

imposed only suspension of benefits for a specified period, and fifteen states imposed either a mandatory or discretionary reduction in benefits in addition to such suspension. In Nebraska and Wisconsin benefit rights based on all employment previous to the refusal were canceled.⁵³

It is of historical interest to note that the disqualification for refusing work is an offshoot of an earlier British requirement that "the claimant must be genuinely seeking work, and unable to obtain suitable employment."⁵⁴ On the face of it, such a requirement would appear fair and reasonable. The "genuinely seeking work" condition was first interposed into the eligibility requirements of the British Insurance Act in 1924. Difficulty arose over the way to determine whether a claimant was making a genuine effort to obtain employment, and this requirement aroused criticism from both workers and employers. The requirement placed the burden of proof upon the claimant, and, as the question of whether he was genuinely seeking work primarily depended upon the claimant's state of mind, the courts of referees had difficulty in making determinations. Insurance officers tended to consider a showing of an often useless and needless tramping from one employer to another in search of work as essential to establish a genuine seeking of work, even though the customary method of finding employment in claimant's trade may have been through an employment exchange or trade-union. Workers presented long lists of the employers they had visited, often hopelessly. Employment Exchange managers

pointed out that to require workers to seek employment in such manner was in effect a confession of the inability of the exchanges to fulfil their proper function. Employers protested that the requirement caused them to be constantly pestered by claimants applying for jobs when they needed no help and that their time was being wasted certifying that claimants had applied to them.⁵⁵

In 1929 the Morris Committee, appointed to review the problem, reported: "It was represented that the condition itself suggests that a man or woman who is thrown out of work is not making every effort to get back in employment and their genuineness is doubted at the outset. It was strongly urged that the genuineness of the claimant should be taken for granted unless facts were proved showing a case of doubt had arisen."⁵⁶ The committee recommended abolition of the condition, and in 1930 it was abolished.⁵⁷ In its place a disqualification for refusal to apply for work when directed by the exchange, was substituted.⁵⁸ Thus the test of the genuineness of claimant's search for work became concretely effective by making it depend on his willingness to accept a job actually offered. After all, an efficient public employment exchange or service should have practically all available jobs registered and be in a position to refer each applicant to suitable work if it is available. Therefore, if the public employment office, with all of its facilities for listing and cataloguing the available jobs, is not in a position to offer an applicant a suitable job, could it be logically expected that the applicant would have more success on his own initiative? If so, the employment service is not accomplishing its

⁵³ *Ibid.*

⁵⁴ Social Security Board, "Principles Underlying Disqualification," Part I, pp. 19-20; E. Wight Bakke, *Insurance or Dole?* (New Haven: Yale University Press, 1935), pp. 35-43.

⁵⁵ See n. 54.

⁵⁶ Bakke, *op. cit.*, p. 41.

⁵⁷ *Ibid.*, p. 42.

⁵⁸ *Ibid.*

primary purpose.⁵⁹ If not, why should the applicant be expected to make a fruitless search for work before being eligible for unemployment benefits? Let us assume that the employment service will be equal to the task it has undertaken. If the claimant certifies that he is able to work and available for work, and registers for work, the genuineness of his claim should be taken for granted in the absence of contrary facts such as a refusal of suitable work.⁶⁰ The authors of "Principles Underlying Disqualifications for Benefits in Unemployment Compensation" point out:

It may be assumed that in the majority of cases an unemployed worker desires work. In most cases he will seek new employment regardless of the benefits he might receive under unemployment compensation. However, nothing in the unemployment compensation laws renders the worker primarily responsible for seeking work, and his benefits may not be withheld if he fails to do so. Locating employment is the responsibility of a greatly expanded employment service which is an essential part of the unemployment compensation system. . . . Presumably, the worker's readiness to apply for work and to accept it when offered is declared through the process of registration and continues so long as the worker has not withdrawn his registration or failed to maintain it.⁶¹

In his *Standards of Unemployment Insurance* Douglas makes this observation:

Until 1930 the British law required the unemployed, before they could receive benefits, to prove that they were themselves "genuinely seeking work." This meant that they must not content themselves merely with registering at the public employment offices and then going to such jobs as the offices directed them, but that they must also in addition apply for work directly to various employers. In thus trying to prevent malingering the government created

something of a paradox. On the one hand, it was administering a system of public employment offices where virtually all the unemployed men were already registered and it was seeking to induce the employers to place their applications for help with them. It was thus trying to become a centralized labor exchange where applications for men and jobs could be cleared in order to avoid the waste of the unemployed tramping wearily from shop to shop. Yet on the other hand, through the enforcement of the "genuinely seeking work" clause, the government was forcing the unemployed to do the very thing which it was one of the purposes of the unemployment exchanges to avoid. These personal applications for work moreover brought the labor supply in a sense to the employer's door and lessened the necessity for his applying to the exchanges for work. . . . By the act of the Labour Government, this clause was eliminated in 1930 and the burden of finding work for the unemployed was shifted to the labor exchange.⁶²

The refusal of one particular job, however, does not necessarily indicate that the claimant is not able to work, available for work, and genuinely seeking work. The claimant may have some personal reason for not wishing to accept the particular job, which does not amount to actual good cause, but be willing to accept any other suitable work. Therefore, a claimant should not ordinarily be considered as "not available for work" solely because he fails to accept a particular offer. But his unemployment immediately following the refusal of work cannot be considered involuntary or through no fault of his own, and he should be disqualified for benefits for a period of weeks.

But if the claimant's refusal of work, together with other facts and circumstances surrounding the case, establishes that the claimant is withholding his services from the labor market and for the time being is not available for work, he should be determined ineligible for bene-

⁵⁹ Social Security Board, "Principles Underlying Disqualification," Part I, p. 19.

⁶⁰ Bakke, *op. cit.*, p. 51.

⁶¹ Social Security Board, "Principles Underlying Disqualification," Part I, pp. 19 and 24.

⁶² *Op. cit.*, p. 82.

fits during the period of his unavailability for work. The majority of European laws, including those of Great Britain and Germany, contain some type of able and available requirement.⁶³

d) *Ability to work and availability for work.*—In order to limit unemployment compensation to unemployment arising out of causes connected with the labor market, all state laws contain some provision designed to prevent payment of benefits to individuals who are not able to work or are not available for work.⁶⁴ The term "available for work" means that "the claimant must be genuinely in the labor market, ready, able, and willing to accept work which is suitable and which he would not have good cause to refuse."⁶⁵ Generally, such provision is included in the section of the laws setting forth the eligibility conditions.⁶⁶ Thirty-four states follow the language of the draft bill in providing that an unemployed individual shall be eligible to receive benefits with respect to any week only if the administrative agency finds that "he is able to work and is available for work." The other state laws contain variations of this language or some provision designed to accomplish the same purpose. Although such provision is, strictly speaking, a condition of eligibility, it is often considered along with the disqualification provisions. The disqualification provisions and the eligibility

provisions of the law complement each other in limiting payment of benefits to those workers for whose benefit the law was enacted. In fact, if a claimant has been determined eligible for benefits and thereafter becomes unable to work because of sickness, claims examiners sometimes "disqualify" the claimant for the duration of his disability instead of making a determination holding him "ineligible" as would be technically correct. Likewise, if a claimant is unavailable for work for some reason, he is often "disqualified" for the period during which he is unavailable. Therefore, the able and available requirement is considered as a "disqualification" provision for certain purposes in this study. While no statistics of national scope are available as to the percentage of claims disallowed on this ground, statistics are available as to total percentage of claims disallowed, with this total percentage subdivided into three groups: (1) claims disallowed because of insufficient wage credits, (2) those disallowed because of no wage record, and (3) claims disallowed for "all other" reasons.⁶⁷ In the statistics on claims disallowed, those disallowed by reason of the inability or unavailability of claimants are evidently included in the third category—claims disallowed for "all other" reasons. Approximately 2 per cent of all new claims disposed of on first determination during 1939 were disallowed because of reasons other than wage credits or record.⁶⁸ Of 1,211,108 new claims disposed of on first determinations during the third quarter of 1941, 16.5 per cent were disallowed, 9.9 per cent because of insufficient wage credits,

⁶³ Social Security Board, *Abstract of Unemployment Insurance Legislation in European Countries*, II, 231-58.

⁶⁴ *Ibid.*, pp. 110-11.

Social Security Board, "Principles Underlying Disqualification," Part I, pp. 1-2.

⁶⁵ Social Security Board, Office of the General Counsel, "Comment on State Unemployment Compensation Benefit Decision," Washington, March 13, 1941. (Mimeographed.)

⁶⁶ *Ibid.*, pp. 110-11; "Principles Underlying Disqualification," Part I, pp. 1-2.

⁶⁷ Social Security Board, "Operations of the Employment Security Program," *Social Security Bulletin* (regular feature in each monthly number.)

⁶⁸ Social Security Board, *Social Security Year Book*, 1939, p. 123.

4.8 per cent because of no wage record, and 1.8 per cent because of "all other" reasons.⁶⁹ Thus it is apparent that only a very small percentage of new claims disposed on first determination by the initial authority are disallowed because of claimants not being able to work or available for work.

e) Other reasons for disqualification.—Although unemployment benefits are paid without reference to the claimant's financial position, the receipt of certain types of payments will disqualify the claimant or reduce his unemployment compensation in all but two of the states. The types of payments which generally disqualify the claimant include federal old age benefits, certain types of workmen's compensation payments, wages in lieu of notice or payments for loss of wages, and unemployment benefits from another state. Such disqualification is generally for any week with respect to which the claimant receives any of the specified types of payments, but most of the laws provide that if such payment is less than the benefits the claimant would otherwise be due under the law, he should be entitled to receive benefits reduced by the amount of such other remuneration.⁷⁰

Twenty-eight states provide some form of disqualification for making a false or fraudulent representation for the purpose of obtaining benefits contrary to the law. Severe penalties are generally provided. In seven states this disqualification is for a period of one year, two provide total disqualification until the benefits illegally awarded are repaid, five provide that the claimant's maximum

amount of benefits may be reduced, nine provide disqualifications for periods up to twenty-six weeks, and the others are so varied as to be unsuitable for ready tabulation. This disqualification is separate and distinct from the criminal penalties for fraud contained in most laws.

Some states provide other miscellaneous reasons for disqualification, such as disciplinary suspension by employer and leaving to get married. However, these miscellaneous reasons can generally be interpreted to come within the scope of those disqualifications discussed in preceding paragraphs.

In summary, it appears that a defensible system of disqualifications would be:

1. *Labor disputes.*—Workers who are participating in or directly interested in the labor dispute should be disqualified for the duration of the stoppage of work or while the dispute is in active progress.

2. *Voluntary leaving.*—Workers who have voluntarily left their employment without good cause should be disqualified for three to twelve weeks, as determined by the administrative agency.

3. *Discharge for misconduct.*—Workers who have been discharged for misconduct connected with their work should be disqualified for three to twelve weeks, as determined by the agency.

4. *Refusal of suitable work.*—Claimants who fail without good cause either to apply for available suitable work when so directed by the employment office or agency or to accept suitable work when offered to them should be disqualified for three to twelve weeks, as determined by the agency. (In cases involving voluntary leaving, discharge for misconduct, and refusal of suitable work, it might be well for the statute to fix six weeks as the general disqualification but to give the agency authority to reduce this period to

⁶⁹ Social Security Board, *Social Security Bulletin*, IV, No. 12 (December, 1941), 65 (Table 12).

⁷⁰ Research Institute of America, *Social Security Coordinator* (New York: Research Institute of America, Inc., 1943), II, 40003-4.

three weeks in cases involving circumstances justifying a more lenient disqualification and to extend the period to not more than twelve weeks in the more serious cases.)

5. *Refusal to take training.*—Unemployed workers who refuse without good cause to take free training in skills which will enhance their chances of obtaining employment, when so directed by the public employment office or state agency, should be disqualified for benefits as long as they continue in such refusal.

6. *Able to work.*—Individuals who are not able to work are not within the scope of a program of unemployment insurance and should be ineligible or disqualified until such time as they are able to work.

7. *Available for work.*—Individuals who have withdrawn from the labor market or for personal or other reasons are not able, ready, and willing to accept suitable work are not within the scope of the program and should be ineligible or disqualified until such time as they are available for work.

8. *Other remuneration.*—Individuals should have their benefits for any week reduced by the amount of any payment they receive with respect to such week in the form of wages in lieu of notice, compensation for temporary partial disability under a workmen's compensation law, old age benefits under the Social Security Act, or unemployment benefits under an unemployment compensation law of another state or of the United States.

9. *Misrepresentation to obtain benefits.*—An individual who deliberately or knowingly makes a false or fraudulent representation for the purpose of obtaining benefits contrary to the law should be required to repay any benefits so received before he can again become eligible for benefits, or, in the discretion of the agency, have such sum deducted from any further benefits payable to him, and should also be disqualified for benefits for a period of twelve weeks immediately following the making of such false or fraudulent representation.

CHAPTER IV

ADMINISTRATION OF DISQUALIFICATIONS—DEALING WITH THE MORAL HAZARD

ADMINISTRATORS of social legislation are confronted with a special responsibility. They must perform, on behalf of the legislators who enacted the measure and the workers for whose protection it is designed, the duties specifically allotted to them by law. Once a law is on the statute books, another critical step must be taken: its provisions must be translated into smoothly functioning operation through the collaboration of the administrators

and the public. It is a truism that no law is better than its administration; and good administration requires understanding of the spirit of the law as well as its letter. In performing the duties delegated to them by Congress and state legislatures, unemployment compensation administrators must keep faith with the social objectives recognized in the provisions of the acts. The fact that the administrators of unemployment compensation are dealing with the laws of

fifty-one separate jurisdictions, which vary greatly both as to coverage and as to requirements, makes it possible for them to observe common administrative policies of only the most general character. The more complex problems relating to individual states must be considered and decided separately by each state.

COMPOSITION OF ADMINISTRATIVE AGENCIES AND POLICY DETERMINATION

The administration of the unemployment compensation program is placed under a single administrator in nineteen states and under a board or commission composed of three or more members in the other thirty-two states. All the members of these boards are on a full-time basis in seventeen states; in seven states one member is a full-time administrator and the other members are paid on a per diem basis; and in eight states the members are all on a part-time basis.

In nineteen states administration is under a department of labor, an industrial commission, or a board which also administers workmen's compensation. In two states administration is co-ordinated with other labor laws through the fact that the commissioner of labor is one of the members of the board. In the District of Columbia the three commissioners who govern the district are on the unemployment compensation board with two other members. In twenty-five states the administrative agency for the unemployment compensation program is entirely separate from any other state department, and in the other four states the agency is nominally under a state department but not subject to its authority.

In addition to their general administrative duties, the administrative agencies of twenty-eight states serve as a quasi-judicial board which makes the

final administrative decision on appealed cases. In nineteen states this function is performed by boards of review which are separate from the administrative agency. Connecticut, Hawaii, Nebraska, and New Hampshire have only one administrative appeal stage. In all states a deputy or claims examiner of the agency makes the initial determination on a benefit claim; this determination may be appealed to an appeal tribunal; and the latter's decision may be appealed to a quasi-judicial board, except in the four states which have only one appeal stage. After cases have gone through the administrative appeal channels established by the law, they may be appealed to the courts.

In fourteen states the administrative board must be composed of representatives of employers, employees, and the public; and five of these states are required to include bipartisan representation. Nine other states are also required by law to have bipartisan representation on the board. In addition, the laws of thirty-six states require advisory councils, representing employers, employees, and the public, to aid in policy formulation, nonpartisan administration, and employment stabilization.

The percentage of claimants an agency disqualifies for benefits, particularly in cases involving "border-line" situations, seems to depend upon whether the agency is following a "liberal" or a "restrictive" policy, which in turn may depend upon conditions of the labor market or upon outside pressures, political considerations, or even the personal attitude of the administrator. Where an administrator secures his appointment by the governor through the recommendation of employer groups, he may develop a "pro-employer" attitude, and where he obtains appointment through labor con-

nections his administration may be "pro-labor." Such partiality is less likely to develop where the administrative agency is a board composed of three or more members, as in the case in thirty-two states, particularly if employers, employees, and the public are represented on the board. Nevertheless, even the most impartial administrator or board may move from a "liberal" to a "restrictive" policy with changing conditions in the labor market.

During times of depression when opportunities for employment are very limited, the unemployment compensation agency may take a liberal view, giving claimants the benefit of the doubt in border-line cases and following a presumption that all claimants who register for work are available for work. In a period of high employment when the "bottom of the labor-market barrel" is being scraped to secure urgently needed workers, the same agency may consider it advisable, and within both the letter and the spirit of the law, to require a more positive showing of availability by the claimant and to more severely interpret the term "good cause" with respect to cases involving the voluntary quitting or refusing of employment.

The 250 per cent increase during 1943 in ratio of disqualifications to valid claims filed in Florida, as appears from Table 4 in the Appendix, stems from the fact that in the last half of 1942 the administrative agency began to scrutinize claims more severely, particularly with reference to availability for work, voluntarily leaving work, and refusal of referrals to work. This more severe measurement of claims against the requirements of the law and more strict interpretation of the provisions of the law is primarily attributable to the changed conditions of the labor market, such as increased em-

ployment opportunities and scarcity of labor, rather than to any personal equation, as the membership of the administrative commission has been the same since February 1, 1941. The fact that the ratio of appeals to disqualifications increased only 30 per cent while the ratio of disqualifications to valid claims filed increased approximately 250 per cent is some indication that the more severe application and interpretation of the law was considered justifiable even by most of the claimants affected; otherwise the ratio of appeals would have increased more in line with the ratio of disqualifications.

ADMINISTRATIVE AGENCY AND POLICIES IN FLORIDA

The unemployment compensation administrative agency in Florida is a commission composed of a chairman and two members. From the time the Florida Unemployment Compensation Law was enacted in June, 1937, until June, 1939, the chairman of the commission was a man of known labor sympathies and interests. He had been a labor organizer, union business agent, sponsor of the Florida Workmen's Compensation Law, and president of the Florida Federation of Labor. His hand at the helm during the agency's organizational period and first two years of operation was a personal equation which naturally tended to affect the policies of the agency, type of personnel employed, and precedents established. The actual payment of benefits, however, was not begun until January, 1939, and in June, 1939, this chairman was succeeded by the man who had been serving under him as director of the Unemployment Compensation Division. Prior to his connection with the agency, the new chairman had operated an insurance agency. The vacancy in the position

of director of Unemployment Compensation was then filled by an individual whose subsequent attitudes indicated that he considered it his special duty to protect the employers' interests. In spite of these changes in administrators, few changes in the policies of the agency were made during 1940, and the staff personnel continued following procedures and interpretations established during the first two years.

In 1939, the first year of benefit payments, the ratio of disqualifications to valid claims filed was only 2.27—possibly because not many employers had learned to send in notices of separation. During 1940 the ratio of disqualifications to valid claims increased to 6.28. This was an apparently normal development considering the facts that the agency had acquired more experience in the technique of investigating claims and that employers were learning the advantage of furnishing separation notices. Therefore, the net effect in 1940 of the close sympathy of the director of unemployment compensation with the employer viewpoint was probably only to stimulate greater interest by the employers in the matter of furnishing separation notices.

Since February 1, 1941, the chairman of the Florida agency has been a man of long prior experience in public administration. For sixteen years he had served as tax-collector for one of the counties in Florida. He is especially familiar with the problems of Florida's important citrus industry, having acquired first-hand knowledge through ownership of grove properties. However, during the first year of his administration as chairman of the Florida Industrial Commission few, if any, changes were made in major policies. During 1941 the ratio of disqualifications to valid claims increased from 6.28 to 9.50, a reasonable increase

for a young agency which was still improving its efficiency with each additional year of experience. This increase was due also in part to the fact that in 1941 there were more employment opportunities, thus giving the agency a better chance actually to test claimants' availability by offering them referrals to work. The percentage of disqualifications for refusal of work and for nonavailability in 1941 was double that for 1940. In 1942 the ratio of disqualifications to valid claims increased from 9.50 to 12.99, this increase probably being due to the same reasons as the increase in 1941, as the percentage of disqualifications for refusal of work and nonavailability in 1942 again increased, being 50 per cent greater than in 1941.

In 1943 the ratio of disqualifications to valid claims increased from 12.99 to 31.09, or approximately 250 per cent. This was the first year such ratio had increased so sharply and the apparent reason therefor has been explained in a preceding paragraph. Thus the experience in Florida has been that the personal equation has not been nearly so important a factor as the changing circumstances and conditions in influencing the agency's policies on disqualifications. Despite several changes in the membership and chairmanship of the commission, and in the incumbent of the staff office of director of unemployment compensation, the only major changes in policy made by the agency during the period from 1937 to 1944 were made, in the last half of 1942, because of the changed conditions of the labor market. These same conditions led the Florida legislature in 1943, under the pressure of employer groups, to amend the law, making the disqualification provisions more severe.

The Florida agency's policies are reflected in its annual reports to the gov-

error. During 1939, its first year of paying benefits, its keynote was "prompt payment of benefits when due." In reporting the year's operations, it said:

With the volume of claims to be handled, it became apparent very early in the year that the agency could not pay benefits on a current basis with the defects in the law. The matter was called to the attention of the Legislature in session in 1939, and a new formula was adopted which made it possible for the Division to process 113,000 initial claims, involving 431,307 warrants totaling \$3,503,069.27, with better than 89 per cent of all payments being made within three weeks following the end of the period to which the payment applied. . . . It is felt, therefore, that at the end of the first year of benefit payment operations, the Division can truthfully say that it has filled the principal mission for which it was established—that of assisting the unemployed insured worker to maintain his purchasing power and as a consequence, the prevention of such a severe drop in general business conditions.¹

In 1940 prompt payment of benefits when due continued to be emphasized, but emphasis was also placed upon securing separation information from employers. In the annual report the agency stated:

A practical result that has developed has been that 72.66 percent of all payments to claimants have been made within one week from the date claim was filed in the local office. . . . Progress has also been made in reducing the length of time necessary to process the pay order card and mail the warrant. . . . Cooperation of employers with the Benefit Section has been most helpful, and it is believed that the employers feel that every protest they make is receiving full consideration, that such claims are determined fairly, both to employer and worker in accordance with the law. . . . Much time and work has been devoted to detecting violations by claimants in connection with obtaining benefits and prosecutions thereof. Workers filing fraudulent claims and making false statements in connection with the weekly amount of their

earnings in order to increase their benefits have been vigorously prosecuted. . . . It has been and will still be the aim of the Division to educate rather than prosecute.²

The 1941 Florida legislature increased the number of weeks for which disqualifications could be imposed. At the end of the year the agency stated in its report:

The effects of the changed disqualification provisions cannot be fully estimated at the present time. However, the number of claimants disqualified has been growing rapidly, and it may become a factor of some importance in the benefit picture should the trend continue. During 1940 the number of disqualifications equalled 6.3 percent of the number of claims determined to be eligible, whereas the number of disqualifications levied during 1941 equalled 9.5 percent of the number of claims determined to be eligible. Insofar as this trend in the number of disqualifications has grown out of the amended Law, it has probably stemmed from the experience rating provisions of the Law. . . . A new system of experience rating was adopted and written into the Law by the 1941 Legislature.³

As hereinbefore stated the first major change in the Florida agency's policies with respect to benefit payments came in 1942. At the close of that year the agency reported to the governor:

The sweeping development of the war program during 1942 produced many changes in Florida's employment situation. The necessary but, nevertheless, sudden and unnatural process of fitting both industry and labor into one national plan brought severe employment dislocations, particularly noticeable in the first six months of the year.

Practically every civilian business felt the adverse impact of the new war economy, as travel restrictions and war priorities combined to bring about drastic curtailments in many of the State's largest industries. As a result, vary-

² Florida Industrial Commission, *Fifth Annual Report, 1940* (Tallahassee, January 31, 1941), pp. 19, 20, and 22.

³ Florida Industrial Commission, *Sixth Annual Report, 1941* (Tallahassee, February 11, 1942), pp. 20-21.

¹ Florida Industrial Commission, *Fourth Annual Report, 1939* (Tallahassee, February 1, 1940), pp. 19 and 21.

ing portions of the working population were changing to new employment fields throughout the year, and whole families migrated to new sections of the State. Workers with certain skills were relocated in growing war industries almost immediately, because of acute labor shortages in some crafts. But most displaced workers underwent temporary periods of unemployment, as they were forced to wait for openings for which they were, or could be adapted.

However, despite the upheavals from this war conversion, employment opportunities in the latter part of the year opened rapidly enough to bring the mean level of employment above that for the two previous years. Unemployment compensation benefit payments totalled \$4,648,219.48, or nearly a million dollars less than in 1941, and a decrease of one-and-a-half millions from the 1940 total. Indicative of the upward turn in war employment in the last half of the year, was the fact that benefits decreased 37 per cent from the amount paid in the first six months. . . .

No major changes were necessary during 1942 for the proper administration of the Unemployment Compensation Law, although wartime exigencies and a desire to carry out the program as efficiently as possible brought many procedural changes and improvements. . . .

Because it was realized that unemployment insurance will be a vital factor in Florida's economic readjustment after the war, every effort was expended to protect the Unemployment Compensation Trust Fund against unwarranted inroads. Activities to discover and prevent fraudulent claims were increased. A continuous audit of all benefit histories was begun, and investigations were made whenever there appeared to be discrepancies between the amount of earnings reported by workers claiming benefits and the amount reported on wage reports by employers. During the year, prosecutions of 223 individuals charged with fraudulently obtaining benefits were begun.

Payment of benefits during the year required the disposition of 81,619 claims by the Division and authorization of the issuance of 459,194 warrants against the Unemployment Compensation Trust Fund; it was necessary to redetermine 7,122 claims, and 7,591 disqualifications were imposed. Compared with the previous year, there was a decrease in each item, except in disqualifications, which increased by 1,210. . . .

The decrease in benefit activities was offset by the operation of experience rating and in-

creased fraud prevention, and by increases in other departmental activities.⁴

MERIT BASIS OF PERSONNEL STANDARDS

The federal Social Security Act provides that the Social Security Board shall make no certification for payment to any state of funds for the administration of its unemployment compensation law unless the law of such state includes provision for the establishment and maintenance of personnel standards on a merit basis. Therefore all state laws now provide that the selection of staff personnel shall be through civil service or merit procedure. Because of this, the agencies generally have attracted and selected in accordance with merit principles staff members who are wholeheartedly interested in the objectives of the program and who have an unusually high level of educational and technical achievement.⁵ Every employee is trained, on the job and in classes, in the work of his unit. In many agencies the Job Methods Training plan has been used in this connection.⁶

THE FACTOR OF PUBLIC RELATIONS

The growing importance of the "public relations" function in governmental administration has been strikingly illustrated in the administration of the unemployment compensation program. The legislative framework of the program presents administrative problems of a magnitude and complexity perhaps never before encountered in this country. If the intent of such legislation is to be carried out, it is obvious that those responsible for its administration must enlist the ac-

⁴ Florida Industrial Commission, *Seventh Annual Report, 1942* (Tallahassee, 1943), pp. 12, 14, 15, and 16.

⁵ Oscar M. Powell, "Adjusting Administration to War Time," *Social Security Bulletin*, VI, No. 11 (November, 1943), 4.

⁶ *Ibid.*, p. 6.

tive support and co-operation of a very substantial body of men and women outside the actual administrative force. No matter how efficient and capable the staff of an agency itself, it cannot wholly succeed unless at least the majority of the individuals affected participate actively in the program. Obviously, the co-operation of the public will not be won by ignoring public opinion or by handing down *ex cathedra* rules and regulations, formulated without regard to the reactions of the individuals concerned. The careful cultivation of a widespread and thorough understanding of the legislative intent is a prerequisite in administration of any social legislation.

An effective public relations program requires not only an understanding of the program by the public but also an understanding of public attitudes by the administrator and his staff, which means constant attention on their part to the climate of public opinion in which the law must operate. In the interests of efficiency and economy in administration, every phase of administration must be adapted to public sympathy and understanding.

The techniques of administration should not be such as to arouse public antagonism, and they should not impose such burdens on either employers or employees as to cause opposition. The processes as a whole should be sufficiently automatic so that, once set in motion, the necessary opportunity for the individual to comply would be practically guaranteed. Analysis and interpretation of public attitudes involve processes in which all parts of the administrative organization must participate. The public relations function is carried out, either well or badly, wherever and whenever any representative of the agency comes in contact with any member of the public.

Wise administration, therefore, seeks the effective execution of at least the elementary public relations techniques at all levels within the organization. An information clerk's attitude contributes to efficient administration just as do procedural or policy decisions made with a view to what the affected public will accept and co-operate in executing. While experience rating has encouraged employers to examine workers' claims and report disqualifying causes to the administrator, this same objective should be one of the aims of the public relations function.

PROCEDURES IN GREAT BRITAIN

In the chapter dealing with types of disqualifications it was mentioned that decisions of the British umpire on contested claims have been valuable as precedents to the states in interpreting the disqualification provisions of their own acts. It is also true that the administrative machinery developed in Great Britain for the filing and determination of benefit claims has served as a valuable model to the state agencies in working out their procedures. In Great Britain the decision as to whether or not a claimant is entitled to unemployment insurance benefits is vested in certain statutory authorities, appointed under the Unemployment Insurance Act. These authorities are insurance officers, courts of referees, and the umpire. The insurance officers, appointed by the Minister of Labour, consist of a chief insurance officer, a divisional insurance officer for each of the nine divisions, and officers attached to each local employment exchange.

The manager of the local exchange serves also as senior insurance officer in the exchange area. The primary duties of local officers in Great Britain consist

of examining claims, allowing benefits, or referring cases for decision to the courts of referees. While local officers cannot disallow claims involving the statutory disqualifications for misconduct, voluntary leaving, refusal of suitable employment, and such conditions as the requirement that the claimant be capable of and available for work, they may disallow claims affected by the trade-dispute disqualification and most other statutory requirements.

The divisional insurance officer reviews claims referred to him by the local insurance officer and also all decisions of the courts of referees which the local insurance officer believes should be appealed to the umpire. When the divisional insurance officer agrees with the recommendation to appeal made to him by the local insurance officer, he in turn refers the case to the chief insurance officer, upon whom rests the final decision as to appeal to the umpire.

The courts of referees sit in the various court districts into which the country is divided. The court is usually held in or near the local employment exchanges. The chairman of the court is appointed by the Minister of Labour; the other two members are drawn from two panels—one representing employers, the other, insured workers. The panels consist of persons appointed by the Minister of Labour from nominations of local employment committees. They must be either insured workers, employers, or employers' representatives. The panels are appointed for a term of three years, and the members are usually called in rotation to sit with the court. Whenever practicable, women are chosen for women's cases and men when men's cases are being considered. Members are not permitted to sit in any case in which they have an interest. A clerk of the court performs the

clerical work; he takes no part in the court's discussion or its decision.

The umpire is appointed by the Crown for an indefinite period to hear appeals from decisions of the courts of referees. He is assisted by one or more deputy umpires. No special qualifications are designed in the act for this appointment, but it is interesting to note that, of the three umpires who have been appointed since the beginning of the unemployment insurance system in 1911, two have been selected from the judges of the higher courts. The decisions of the umpire are final; no appeal to the courts of law is permitted.

PROCEDURES IN UNITED STATES

In the United States claims for benefits are generally filed in local employment offices operated either by a state unemployment compensation administrative agency or by the United States Employment Service. Since the United States Employment Service took over the operation of the various state employment services, which formerly handled the filing of benefit claims, it acts in many states as agent for the unemployment compensation agency in the matter of receiving such claims. Workers are assisted in filing their claims by "claim-takers," who are acting as deputies or agents of the administrative agency and are registered for work by trained interviewers or "placement officers" of the employment service. Although in a few states claims are determined in the local office where filed, in most states the claims are transmitted to the central office of the administrative agency for determination of the claimant's benefit rights. There they are computed, examined, and determined by deputies of the agency, generally called "claim examiners."

a) *Filing of claims.*—The initial claim is filed on a form designed to bring out the facts necessary to a determination of the claimant's eligibility. It is the duty of the claim-taker to list all necessary information on the initial claim, if possible, so that the determination may be made in the central office without delay. On the initial claim there is generally listed the claimant's name, address, Social Security number, usual occupation, last employer, last day of work, reason for separation, and a certification by the claimant that he is unemployed, able to work and available for work, and registered for work. The reason for separation given by the claimant on this form will often be controlling in determining whether or not the claimant is disqualified for benefits for some reason. Therefore, the manner in which the claim-taker fills in this information on the form may affect the decision to be made by the deputy or claim examiner. Furthermore, there is a space on the form for the claim-taker to write in his own remarks and recommendations. In Florida it is also the duty of the claim-takers to contact the last employer by telephone, if possible, to obtain his version of the separation. This information when obtained is written on the back of the claim form or stated in the space for "Remarks."

As the initial determination to be made on the claim depends to such a great extent on the information listed on the initial claim, the determination could be influenced by the prejudices and personality of the claim-taker. Therefore, claim-takers should be individuals of a fair and impartial temperament who have been thoroughly trained in their work. Almost constant training, retraining, and supervision of claim-takers seem to be necessary in order to maintain a standard of claim-taking which will pre-

sent adequate, impartial information on a high percentage of claims filed. In one state a claim-taker was transferred to other duties when it was realized that she had been making a practice of stating the "facts" of separations, interviews, and referrals so artfully that the claimants were frequently disqualified unjustly. She had achieved this result by the ingenious use of innuendo, incomplete syllogism, sophistry, *non sequitur*, ambiguity, perversion, equivocation, and even fallaciousness. She honestly believed that all workers who really wanted employment could find it almost immediately and that those who claimed benefits were malingerers who should be prevented, by fair means or foul, from receiving benefits. Obviously, she was not temperamentally suited to the work of taking claims or referring claimants to work, as she injected the personal equation into claim determination.

b) *Referrals to work.*—During periods of labor scarcity the local employment office is often in a position to refer claimants to work at the very same time that they file their initial claims for benefits. If a claimant refuses a referral to work which the claim-taker considers suitable, this fact will be noted on the claim form or in a report attached thereto, so that the deputy or examiner who determines the claim may decide whether a disqualification should be imposed. If, subsequent to the filing of his initial claim, a claimant refuses a referral to suitable work, the local employment office likewise reports that fact to the administrative agency. The deputy or examiner then makes a redetermination of the claim.

After the initial claim is taken in the local office, it is transmitted in most states to the central office of the administrative agency for determination. As

benefits are payable on a week-to-week basis, the claimant must thereafter continue to report at the local office each week during the period with respect to which he is claiming benefits, and he must file a "continued claim" with respect to each such week. These continued claims, sometimes called "pay-order cards," are likewise transmitted to the central office for determination—payment or disallowance. In transmitting such continued claims to the central office, it is the duty of the claim-taker to report any changes in the claimant's circumstances which may affect his eligibility, as well as the facts regarding any referrals to work the claimant has refused.

c) *Determination of claims.*—When an initial claim is received in the central office of the agency, the first step in its determination is to ascertain whether the claimant earned sufficient wages in covered employment during his base period to qualify for benefits, i.e., whether it is a "valid" claim. The information necessary for this determination is secured from wage reports filed with the agency by employers. The record-keeping system for wage records is almost wholly mechanical, and, when a claim is received, a "wage transcript" is made from punch cards which were made from the employer's wage reports. From this wage transcript a deputy or claims examiner in the central office determines whether the claimant has sufficient wage credits to qualify and, if so, his weekly benefit amount and total benefit credits. If it appears that the claimant has insufficient credits to qualify, he is notified that he is not eligible and of his right to apply for reconsideration or to appeal.

If it is found that the claimant has sufficient wage credits, a notice of valid claim filed is mailed to his last employer

requesting that such employer submit a notice of separation if the claimant's separation from employment was under circumstances which might disqualify him for benefits. In some states all employers are required to file with the administrative agency a notice of separation with respect to each worker separated from their employment, while in other states employers are required to file such notices only with respect to workers separated under circumstances which might lead to disqualification. When received in the central office such notices of separation are filed in order of Social Security numbers, and all new claims are screened against this file. Where the claimant appears eligible according to the information on the initial claim form, and it appears that his unemployment resulted from nondisqualifying circumstances, the examiner determines the claim "eligible," and a first "pay-order" card is mailed to the local office to be signed by the claimant at the end of his first compensable week. However, if the initial claim, a notice received from the last employer, or a report from the employment office, contains information indicating that the claimant is not eligible or may be subject to a disqualification, the claim is referred to a deputy or examiner in the "adjustment unit" of the agency for further consideration before determination.

If the claim, notice of separation, and other papers referred to the adjustment unit indicate a disagreement between the claimant and the employer or the employment office with respect to any material fact, the deputy or examiner will attempt to bring the parties into agreement and ascertain the true facts involved before making a determination. Successful adjustment, in which the parties are brought into agreement concerning the

facts of the case or agreement as to the fairness of the decision, not only is a saving to the agency but also makes for better relations between the agency and the parties than a contest prolonged into the appeal stage. A claim is considered a "contested" claim so long as it is in the administrative process of settlement, as distinguished from the quasi-judicial appeal process, or so long as the determination concerning it is regarded as the decision of the deputy. Even after the initial determination is made, a claimant may later be rendered ineligible by failure to meet some requirement, and a contest may arise over his right to benefits. Thus a question of disqualification may arise in the early stages of a claim, because of the reasons for leaving the previous job, or in the later stages, even after benefit payments have begun, because of failure to accept a referral to suitable work. At whatever point a disagreement arises, the determination should be held in abeyance while investigation and conference are used to clear up the points of difference. In fact, every successive "pay-order" card received for a claimant involves a determination of his eligibility for benefits, and, therefore, the eligibility of a claimant for benefits is determined with respect to only one week at a time.

Generally, the adjustment unit in the central office will be less subject to the type of local pressure which may make impartiality difficult for the local claim-taker, and the latter's relations with claimants and employers will probably be on a better footing if he does not have the responsibility of making decisions on disputed claims. Since the adjustment of a contested case is an administrative function, its object is to bring to light the pertinent facts in the case. Therefore, its method is investigation, and each case

must be treated individually. The approach of the deputy or examiner is an industrial relations approach, not a legal one. Since the adjustment unit is not a judicial unit, it avoids any semblance of court procedure. The deputy proceeds to ascertain the facts by writing letters to the interested parties, by having the claimant reinterviewed at the local office, by having a field representative of the agency call upon the employer for information, or by getting the parties together for informal conference in his office. This investigation by the deputy may be very complete or very perfunctory, depending on the procedures and policies of his agency.

The deputy in the adjustment unit of an agency generally works very closely with the administrator or executive director of the agency, and his decisions closely reflect the policy of the administrator, board, or commission. It is inevitable, however, that a deputy's own personality, prejudices, background, and "philosophy" will tend to affect his decisions, either consciously or subconsciously. In one agency a deputy in the adjustment unit with a background in welfare work developed a peculiar philosophy of his own. He first decided whether the claimant was morally and equitably entitled to benefits under an ideal unemployment compensation program existing only in his own mind, next he rationalized his decision by stretching some provision of the existing law to cover it, and he finally presented his decision as one deduced by applying the law to the facts in a normal manner. Needless to say, the appeals referees frequently found that the records did not support the determinations in such cases. This same deputy also could not believe that any employer would deliberately give false information on a notice of separation.

Hence, if a claimant stated on his claim that he had been laid off because the employer had no work for him, and the employer submitted a notice of separation listing the separation as "voluntary quit" or "discharge for misconduct," the deputy often made a determination disqualifying the claimant, without further investigation. Such perfunctory handling of contested claims in the "adjustment unit" of the agency resulted in more cases being appealed to the appeals referees than would have been if the deputy had followed a procedure of investigation and adjustment.

After the deputy or examiner has completed his investigation, he makes a determination holding the claimant either eligible or ineligible for benefits and determines whether or not a disqualification is applicable. Notice of the determination is mailed or delivered to the claimant and, under certain circumstances, to his last employer. This notice generally calls the attention of the parties to their right to file a request for reconsideration or to file an appeal within a stated time. The percentage of determinations appealed to the lower appeals authority of an agency will often depend upon whether the agency is following a "liberal" or a "restrictive" policy, as does the percentage of disqualifications imposed.

d) Appeals from determinations.—The Social Security Act provides that the Social Security Board shall make no certification for payment to any state of funds for unemployment compensation administration unless the law of the state includes provision for opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for compensation are denied. Accordingly, quasi-judicial administrative review of benefit determinations which do not satisfy the

worker or his employer is provided by all state unemployment compensation laws. If procedures for investigation and adjustment within the agency fail to reconcile divergent views, appeals may be taken by any of the interested parties to an appeal tribunal or referee, sometimes referred to as the lower appeals authority. Most states also permit appeal from the lower appeals authority to a higher appeals authority—either the administrative agency itself or a separate board of review—by interested parties who are not satisfied with the decisions of the lower tribunal. Relatively few cases, however, are appealed to the higher appeals authority, and even fewer cases are appealed to the courts. During the first four years of benefit payment in Florida there were 1,806 cases appealed to the appeals referees, and 120 cases carried to the board of review, but only 20 benefit cases were appealed to the circuit courts of the state. Approximately 10 of the court cases involved benefit rights of industrial insurance agents.

While the great majority of claims are uncontested, the percentage of contested claims has increased each year. Many state agencies have developed methods of handling contests which result in satisfactory settlement of at least 90 per cent of the contests, and thereby make appeals unnecessary except in a small percentage of cases. In Florida the ratio of appeals to disqualifications was 19.25 per cent in 1939, 16.05 per cent in 1940, 8.65 per cent in 1941, 7.36 per cent in 1942, and 10.82 per cent in 1943. During the same period the ratio of disqualifications to eligible claims filed was constantly increasing, being 2.27 per cent in 1939 and 31.09 per cent in 1943. The Florida agency was particularly successful in increasing its percentage of satisfactory settlements of wage record conflicts without

appeal. Approximately 50 per cent of its appeals in 1939 and 1940 involved wage record conflicts, but this reason accounted for only 35 per cent of appeals in 1941, 24 per cent in 1942, and 3 per cent in 1943. If there is no special handling of these contested cases, decisions are frequently appealed because of a misunderstanding of the law when a few minutes' patient explanation on the part of the deputy would not only save the state the expense of an appeal but would prevent delay and avoid raising false hopes. The agencies are more likely to win the confidence and respect of the people if both claimants and employers become convinced of the willingness of the administration to make every effort at a just decision during the adjustment stage of contested claims. Confidence in the administration is undermined if a feeling grows that it is necessary to file a formal appeal to secure full consideration of any objections to a determination.

Table 4 shows the ratio of disqualifications imposed to eligible claims filed, the ratio of appeals to disqualifications imposed, and the ratio of appeals to initial claims filed, together with the major issues involved in such appeals, for the years 1939 through 1943 in Florida.

TYPES OF APPEAL BODIES

The members of the appeals tribunals or the appeals referees should have no connection with the handling of claims or with making determinations prior to the filing of formal appeals from the deputies' determinations. Generally they are not under the supervision, control, or authority of the staff officer or department chief responsible for the handling and processing of benefit claims by the deputies. Appeals referees are appointed under civil service or merit procedures, the appointing authority generally being

the agency or board which serves as the higher appeals authority. It is essential that the agencies plan their organization so that their appeal tribunals or referees function independently of the operating or administrative divisions. If the tribunals are to be impartial, they must be free from control or direction by those sections of the agency that are responsible for the original determination of claims. In selecting referees, the agency should choose individuals in whom the interested parties can have complete confidence as to their competence, independence, and impartiality. They must be intelligent, dependable, fair-minded, and have an understanding of labor relations and laws. Such qualifications as sympathetic understanding, thoroughness, and ability to analyze complicated facts and to exercise independent judgment are all essential.

The laws of nineteen states provide that the lower appeals authority shall consist of a single referee or referees, while those of twenty-nine states provide that the lower appeals authority may consist of either a salaried referee or of a board (tribunal) composed of a salaried referee and one representative each of employers and employees. In practice the three-member tribunals have seldom been used in the latter group of states. In three jurisdictions a three-member tribunal is mandatory.

In twenty-eight states the administrative agencies serve as the higher appeals authority, while nineteen states have a separate or independent board of review for that function and four do not have a second appeal stage. In twenty-one of the states in which the administrative agency serves as the higher appeals authority, the agency itself consists of a three-member body, in four states it consists of a four- or five-member body, and in only

three states does it consist of a single administrator. Of the twenty-five states in which the administrative agency is a body composed of three or more members which serves as a higher appeals authority, in seventeen states the members are chosen as representatives of employers, employees, and the public, or with bipartisan political affiliations. Generally the administrative agency, and the board of review in those states having one, is appointed by the governor of the state. As there are relatively few appeals to the higher appeals authorities, the members of the boards of review generally serve on a part-time basis. However, they should be highly competent individuals, interested in sound public administration. A sound board of review might be composed of a public-spirited man of wide interests, a professor of economics or public administration who has had practical industrial experience, and a lawyer with experience in industrial relations.

STATISTICS ON APPEALS

State agencies were requested to furnish the Social Security Board with copies of all decisions issued by their appeals authorities, and twenty-three of thirty-one states which paid benefits in 1938 complied with this request, furnishing the Board with 14,620 decisions by lower appeals bodies and 1,273 decisions by higher appeals authorities.⁷ Of the 14,620 first appeals, 96 per cent were made by workers and only 4 per cent by employers. The preponderance of worker appeals can be partly explained by the fact that 60.8 per cent of the appeals were wage-credit cases. As administrative procedures have been subsequently

perfected, the number of decisions of this type have decreased. Claimants disqualified because allegedly discharged for misconduct filed 1,039 or 7.1 per cent of these first appeals; and 1,045, or 7.2 per cent, concerned disqualifications for allegedly leaving work voluntarily without good cause. Only 1.0 per cent involved refusal of work. Of the worker appeals, 74.3 per cent were successful. If, however, the wage-credit and claim and registration cases were excluded from consideration, only 47.5 per cent of the worker appeals were successful. In appeals from disqualification because of alleged discharge for misconduct, however, worker appeals were successful in over 65 per cent of the cases, the tribunals apparently being reluctant to affirm such disqualifications unless the evidence of the existence of misconduct was convincing or if mitigating factors were present. It appeared from the decisions that employers had frequently confused dismissal for inefficiency or incompetence or for minor infraction of rules with dismissal for misconduct. Of the employer appeals, only 28.2 per cent were successful in causing the prior determination to be reversed or modified. It has been suggested that the employers' interest in keeping the amount of benefits charged to his account at a minimum led employers to appeal against the allowance of benefits in many cases in which better information based upon longer acquaintance with the administration of the law would have made it evident that the claimants were clearly entitled to receive such benefits. Thus, the existence of merit-rating provisions apparently accounts in part for the low proportion of successful employer appeals.

Although the initial determination was confirmed by the first appeals tribunals in only 27.5 per cent of these 14,620

⁷ Social Security Board, "Unemployment Compensation," *Social Security Bulletin*, II, No. 2 (February, 1939), 41-46.

cases, the decisions of the lower appeals bodies were upheld in about 76 per cent of all appeals adjudicated by higher appeals authorities.

In the first quarter of 1939, thirty-five agencies furnished the Board with copies of their appeal decisions, furnishing 5,756 decisions by lower appeals bodies and 509 by higher appeals authorities. Of the first appeals, 93.9 per cent were initiated by workers. Again the majority of worker appeals involved questions of wage credits, coverage, and claim and registration, these reasons accounting for 55.4 per cent of the initial worker appeals. Claimants disqualified for alleged misconduct discharges filed 7.7 per cent of these first appeals, and 18.6 per cent concerned claimants who had been disqualified for leaving work voluntarily without good cause. Refusal of work was the issue in only 1.6 per cent of the first appeals. Workers were successful in nearly 59 per cent of the appeals initiated by them, as compared to 74.3 per cent in 1938. They were successful in approximately 75 per cent of cases involving wage credits, coverage, and claim and registration, but won only about 40 per cent of their other appeals. The workers obtained reversals or modification of disqualifications in about 35 per cent of their appeals involving voluntary leaving and in over 50 per cent of those involving discharge for alleged misconduct. Approximately 45 per cent of the employer appeals resulted in reversing or modifying prior determination so that benefits were denied or modified. In this quarter the prior or initial determinations were affirmed by the first appeals tribunals in 42 per cent of the 5,756 cases. Only 509 cases were disposed by the higher appeals bodies, and in 65 per cent the decisions of the lower tribunal were upheld. Of these 509 cases, 121 were appealed by employers, who ob-

tained reversals or modifications in only 18 per cent.

All fifty-one jurisdictions furnished the Board with copies of their appeal decisions during the last half of 1941, and these 31,607 decisions have been analyzed by Reports and Analysis Division of the Bureau of Employment Security.⁸ Workers initiated 90 per cent of the appeals to the lower authorities. By this period cases involving wage credits and coverage issues had dropped to 24.5 per cent, evidencing a great improvement in the efficiency of administrative procedures dealing with these matters. Cases involving availability for work, which accounted for only 1.8 per cent of the cases disposed in 1938 and 4.6 per cent in the first quarter of 1939, were more numerous than those involving any other single issue during the last half of 1941, amounting to 22.5 per cent of all cases decided by the lower appeals bodies. Voluntary leaving constituted the issue of next importance, being involved in 21.7 per cent of the cases. The percentage of cases decided by the lower appeal authorities during this period involving alleged misconduct was 6.2—only a slight variation from the 7.1 per cent in 1938. However, the cases involving refusal of work were 7.5 per cent, as compared to only 1.0 in 1938. Workers were successful in 46 per cent of their initial appeals during this period, whereas they were successful in 73.3 per cent in 1938 and 59 per cent in the first quarter of 1939. As in the preceding period examined, they were successful in 75 per cent of their initial appeals involving wage credit and coverage questions. The workers obtained reversals or modifications in 39 per cent of their first-stage appeals involving volun-

⁸ Social Security Board, "Disposition of Appealed Claims, July–December, 1941," *Social Security Bulletin*, V, No. 11 (November, 1942), 55–68.

tarily leaving work, as compared to 35 per cent in the first quarter of 1939; and obtained reversals or modifications in 65 per cent of their cases involving discharge for alleged misconduct, as compared to 65 per cent in 1938 and 50 per cent in the first quarter of 1939.

This high percentage of reversals in cases involving misconduct was probably due to the fact that employers had charged misconduct in cases where the facts did not bear out the charge, or where, in instances of reasonable doubt, the tribunals gave the benefit of the doubt to the claimants.

In appeals brought by employers before the lower authorities 58 per cent were determined in favor of the claimants. For the country as a whole, only 9 cases were appealed to lower tribunals by all parties for every 1,000 claims determined, but the state ratios ranged from 90 per 1,000 in Hawaii to 2 or less per 1,000 in six states. In Florida the ratio was 3.5 appeals per 1,000 new benefit claims disposed, only slightly more than one-third the national average. During this period the lower appeal authorities affirmed prior determinations in 52.5 per cent of the cases, as compared to 27.5 per cent in 1938 and 42 per cent in the first quarter of 1939. This constantly rising percentage of decisions affirming determinations by deputies may indicate that deputies were attempting to follow precedents established by the appeals authorities.

During this period the higher appeals authorities upheld 73 per cent of the decisions of lower appeals bodies reviewed by them, as compared to 76 per cent of those reviewed in 1938. For the nation as a whole the ratio of higher to lower appeal cases was 9 higher appeals to every 100 lower appeals, while for Florida this

ratio was only 4.5 to 100, or one-half the national average. Very low ratios were found also in Maryland, Arizona, Rhode Island, and Colorado. Employers were successful in 27 per cent of their appeals in this period as compared to 12 per cent in 1938 and 18 per cent in the first half of 1939.

A summary of the statistics on appeals used in the foregoing paragraphs is presented in Table 5.

COURT DECISIONS AS A FACTOR

Court decisions on benefit cases are another factor in drawing the line between qualification and disqualification of claimants for benefits. Administrative agencies and appeals authorities sometimes have to change their policies or interpretations to bring them into conformity with a court decision. For instance, the Florida agency for some time followed a ruling holding that industrial insurance debit collectors were employees of the companies they represented and entitled to wage credits based on their earnings. The Supreme Court of Florida, however, finally held that, where such agents are remunerated solely by commission, they are independent contractors and not employees. The agency thereafter followed the interpretation laid down by the court.

Many states, including Florida, have followed the practice of holding that, where a married woman leaves her employment to accompany her husband in moving their residence to a new community where he has established a business or accepted employment, she has "good cause" for such leaving; and if she registers for work in such new community, she is presumed to be "available for work" in the absence of contrary evidence. Such interpretation has been up-

held by the courts in some states, but in other states it was adopted only after the courts had so ruled. After the United States started raising a large army for the current war, many women commenced leaving employment to accompany or follow their husbands to training camps and other Army bases. Some state agencies at first held that in such instances the women left with good cause, applying the precedent established with regard to women accompanying their husbands to new communities where it was necessary for their husbands to live in connection with earning a living and that they should be presumed to be "available for work" in the new community. As the volume of claims for benefits filed under such circumstances increased, however, some of these state agencies reversed their position and decided that their policy regarding women who leave work to accompany their husbands in a change of residence is not applicable to soldiers' wives who accompany their husbands to Army camps and bases because in such instances the parties are not establishing a regular or permanent residence. In Pennsylvania both the lower and the higher appeals authorities held a claimant eligible for benefits without disqualification where she had "voluntarily quit her employment and moved to Alexandria to live with her husband during his [Army] training period." The Superior Court of Pennsylvania agreed that the claimant had good cause for leaving her work but reversed the administrative appeals authorities in a decision filed January 27, 1944, holding: "When claimant voluntarily, though for good cause, removed herself from the labor market to join the wives and families of other soldiers at an army post, she deliberately became unavailable for work, and, in our

opinion, will remain so until she returns to a community in which a reasonable opportunity for work normally exists."⁹

PERSONAL EQUATION MINIMIZED

In a recent opinion Justice Glenn Terrell of the Supreme Court of Florida stated:

Judicial discretion is not an unleashed power by which a judge may set at naught the rights of parties to a cause and define them as suits his will or the will of others who may seek to influence his judgment. Judicial discretion is a discretion guarded by the legal and moral conventions that mold the acceptable concept of right and justice. If this is not true, then judicial discretion, like equity, will depend on the length of the judge's foot, the state of his temper, the intensity of his prejudice, or perhaps the zeal to reward or punish a litigant.¹⁰

The legal and moral conventions that mold the acceptable concept of right and justice also guard the administrative discretion imposed in unemployment compensation agencies. The very knowledge that all individuals whose claims for unemployment compensation are denied have opportunity for a fair hearing before an impartial tribunal should cause the administrator to avoid arbitrary decisions and policies based on his own personal prejudices or the will of others who may seek to influence his judgment. Where there exists a separate and independent board of review, as in nineteen states, or a higher appeals authority made up of three or more members, even though it is the administrative agency itself, as in twenty-five states, the personal equation

⁹ "Department of Labor and Industry of Pennsylvania v. Unemployment Compensation Board of Review," *Unemployment Insurance Service* (Chicago: Commercial Clearing House, Inc., 1944), V, 41509.

¹⁰ *Albert et al. v. Miami Transit Co., Inc.*, 17 So. 2d 89 (1944).

is minimized and to an extent neutralized as a factor in benefit determinations.

Furthermore, in seventeen of these twenty-five states in which the agency itself is the higher appeals authority, the members of the boards must be representative of employers, employees, and the public or must be of bipartisan affiliation.

Only three states have the second administrative appeal hearing before a single administrator, these being Kansas, Minnesota, and Washington. However, of the other four states which have only one administrative appeal stage, three are under a single administrator, i.e., Connecticut, Nebraska, and New Hampshire.

Of the nineteen states in which the program is administered by a single administrator, thirteen have independent boards of review, three have no second appeal stage, and only three have the administration serving as a higher appeals authority. Even in the three states which have no second appeal stage and in the three states where the single administrator serves as a higher appeals authority, the administrators are under persuasive inducement to establish and follow policies which will assure full payment of benefits when due. The Social Security Act provides that the Social Security Board shall make no certification for payment to any state of funds for administration of its program unless it finds that the state has such methods of administration as are found by the board to be reasonably calculated to insure full payment of unemployment compensation when¹¹ due and provides opportunity for a fair and impartial hearing for all individuals whose claims are denied.¹² Represen-

tatives of the Social Security Board periodically visit each state agency to examine and review representative samples of claims determined by the agency and of cases handled by the appeals authorities.

The very fact that the administrative agency is a board composed of three or more members should operate, in the thirty-two states having such boards, to decrease the influence of personal attitudes, outside pressures, and political changes, particularly in the twenty-three states where such boards must be composed of representatives of employers, employees, and public or must have bipartisan members. Furthermore, in thirty-six states advisory councils aid in maintaining impartial and nonpartisan administration.

Another factor which has decreased the influence of outside pressure and political changes on unemployment compensation administration is the maintenance by the states of civil service or merit systems under which staff personnel are selected on a nonpartisan merit basis. Such systems make possible careers within the agencies by providing for promotions based on efficient work and provide tenure in office for those whose performance meets required standards. Deputies, claims examiners, and referees are not replaced on a wholesale basis with each change in a state administration, and their work is generally at least one step removed from local pressure.

That employer pressure does not strongly influence benefit decisions is demonstrated by the fact that workers succeeded in winning 65 per cent of their "misconduct" appeals in both 1938 and 1941 and by the fact that employers succeeded in obtaining reversals or modifications of decisions allowing benefits in only 12 per cent of their second-stage ap-

¹¹ Social Security Act, as amended, Title III, sec. 303(a).

peals in 1938, 18 per cent in the first quarter of 1939, and 27 per cent in the last half of 1941. Also employers obtained reversals or modifications of initial determinations allowing benefits in only 28.2 per cent of their first-stage appeals in 1938 and 42.0 per cent in the last half of 1941.

Considering the makeup and caliber of the higher appeals authorities generally, the fact that these bodies affirmed the decisions of the lower tribunals in such a high percentage of cases—76 per cent in 1938 and 73 per cent in the last half of 1941—indicates that such lower tribunals are striving to render fair and impartial decisions. Furthermore, the constantly increasing percentage of determinations by the deputies affirmed by the lower tribunals—27.5 per cent in 1938, 42 per cent in first quarter of 1939, and 52.5 per cent in last half of 1941—

may indicate that the deputies are generally following the body of precedents being built up by the appeals authorities rather than their own personal opinions and prejudices or the will of others who may seek to influence their judgment.

While experience rating has increased employer pressure for more stringent disqualifications, such pressure has probably exerted more actual influence on the legislatures than it has on the administrative agencies. From the data examined it appears that the most important factor involved in drawing the line between qualification and disqualification, aside from the paramount factor of the law itself and court decisions interpreting it, are (1) the conditions of the labor market and (2) general current public opinion, both of which vary with changing circumstances and economic conditions.

CHAPTER V

DISQUALIFICATIONS IN OPERATION

NO DATA of national scope have heretofore been compiled showing the percentage of eligible claimants who are disqualified, the percentage of the disqualifications assessed assignable to the various reasons for disqualification, the relative severity of the disqualifications actually imposed, the rate of disqualification in different wage groups, the rate of disqualification among workers in the separate industrial classifications, or the ratio of benefit credit exhaustion by disqualified claimants to exhaustion by all eligible claimants. Few states have kept systematic statistics on all these factors. Yet such data would constitute invaluable indices in determining (1) the effectiveness

of disqualifications as a means of limiting the moral hazard, (2) the reasons for which disqualifications should be imposed, and (3) the types of disqualification best designed to accomplish the intended purpose.

The experience of Florida in administering its disqualification provisions may be reasonably typical of that of the majority of the states. Florida is one of the thirty-four states which follows the language of the draft bill in providing that as a condition of eligibility the claimant must be "able to work and available for work."¹

Florida is among the thirty-nine

¹ *Florida Statutes, 1941*, sec 443.05(3), as amended.

states, including the District of Columbia, which limit the disqualification for voluntary leaving to cases in which the claimant has left work voluntarily without good cause.² It is one of the forty-six states, including Hawaii, which base disqualification for discharge on misconduct connected with the individual's work.³ It is included in the forty-nine jurisdictions which disqualify claimants for failure, without good cause, to accept or apply for suitable work or return to customary self-employment.⁴ In Florida and six other states, however, the disqualification in labor-dispute cases is for any week of unemployment due to a labor dispute in active progress where the individual was last employed, while in thirty-three states this disqualification is not imposed unless there is a stoppage of work existing because of such labor dispute.⁵ Florida and twenty-seven other states provide that the labor-dispute disqualification does not apply if neither the claimant nor any of his grade or class of workers is participating in, financing, or directly interested in the dispute.⁶ Thus it appears that the major reasons for disqualification are set forth in the Florida law in language similar to or identical with that used in the majority of the state acts, except that under the Florida law there need be no finding

that a stoppage of work exists before disqualifications are imposed for unemployment due to a labor dispute in active progress. This distinction, however, is of little practical importance for statistical purposes, as there is usually a stoppage of work where there is unemployment due to a labor dispute in active progress.

PERCENTAGE OF ELIGIBLE CLAIMANTS DISQUALIFIED

In Florida, 60,627 claimants for benefits during the year 1940 were found to meet the initial eligibility conditions of the law.⁷ During that year 3,806 disqualifications were imposed on claimants, suspending their benefits for various periods of time.⁸ Thus, only 6.3 per cent of the eligible Florida claimants incurred any disqualification in 1940. Comparative data from sixteen other states show that the percentage of disqualifications imposed to eligible claims filed varied from 1.8 in Montana to 23.8 in District of Columbia.⁹ In eight of these states, however, the ratio of disqualifications to eligible claims was approximately the same as in Florida. In the seventeen states, including Florida, 1,213,271 eligible claims were filed and 97,770 disqualifications were imposed in 1940, the latter being 8.1 per cent of the former. The number of eligible claims filed, number of disqualifications imposed, and relationship in percentage, in each of the seventeen states from which 1940 data are available are listed in Table 6.

The percentage of disqualifications to

² Social Security Board, *Comparison of State Unemployment Compensation Laws as of December 31, 1941* ("Employment Security Memorandum," No. 8 [Washington: Government Printing Office, 1942]), p. 120; *Florida Statutes, 1941*, sec. 443.06(1), as amended.

³ Social Security Board, *op. cit.*, p. 123; *Florida Statutes, 1941*, sec. 443.06(1), as amended.

⁴ Social Security Board, *op. cit.*, p. 126; *Florida Statutes, 1941*, sec. 443.06(2), as amended.

⁵ Social Security Board, *op. cit.*, pp. 129-30; *Florida Statutes, 1941*, sec. 443.06(4), as amended.

⁶ Social Security Board, *op. cit.*, pp. 129-30; *Florida Statutes, 1941*, sec. 443.06(4), as amended.

⁷ Florida Industrial Commission, *Florida Employment Review*, December, 1941, p. 30.

⁸ See Table 29 in Appendix for monthly distribution of disqualifications and valid claims filed during 1939 and 1940.

⁹ Questionnaires were mailed to unemployment compensation agencies in all states, and sixteen submitted such data for 1940. See chap. vi: "Techniques in Studying Disqualifications."

eligible claims filed increased during 1941. In Florida 66,553 determinations of eligible claims were made and 6,321 disqualifications were levied, the number of disqualifications made being 9.5 per cent of the determinations made of eligible claims. In twenty-one other states the percentage of disqualifications to eligible claims filed varied from 3.8 in New York to 48.7 in District of Columbia.¹⁰ Florida was typical of the combined experience of the twenty-two states, the total disqualifications being 11.9 per cent of the total eligible claims filed. The number of eligible claims filed, number of disqualifications imposed, and percentage relation in each of the twenty-two states from which 1941 data are available are listed in Table 7.

In 1942 there were 58,470 eligible claims filed and 7,591 disqualifications imposed in Florida, the ratio of disqualifications to eligible claims being 13 per cent. In twenty-four states, including Florida, there were 1,736,367 eligible claims filed and 229,053 disqualifications levied during 1942, the percentage of disqualifications to eligible claims filed being 13.2¹¹—only a very slight variation from the corresponding Florida ratio. Data for each of the twenty-four states are presented in Table 8.

During the first half of 1943 the percentage of disqualifications imposed to eligible claims filed in Florida was nearly triple that for 1942, being 34.0. In this six-month period only 8,027 eligible claims were filed in Florida, but 2,726 disqualifications were imposed on claimants.¹² This increase in percentage of dis-

qualifications was reflected in other states, but the increase in Florida was greater than the average increase in twenty-six states from which data are available.¹³ In these twenty-six states, including Florida, 347,187 eligible claims were filed and 81,900 disqualifications levied during the first half of 1943. Thus, the percentage of disqualifications to eligible claims filed was 23.6 for the twenty-six states, being nearly double that for 1942 in twenty-four states. The ratio of disqualifications to eligible claims in Florida was approximately the same as the ratio in Alabama, Colorado, New Hampshire, Tennessee, Utah, Washington, and California, according to data presented in Table 9.

In the chapter on "Administration of Disqualifications" it was stated that the great increase in ratio of disqualifications to eligible claims filed in Florida during the first half of 1943 stems from the fact that the administrative agency had begun to scrutinize claims more severely, particularly with reference to availability for work, voluntarily leaving work, and refusal of referrals to work. This more severe measurement of claims against the requirements of the law is primarily attributable to the changed conditions of the labor market, such as increased employment opportunities and scarcity of labor.¹⁴ In 1940, 47.1 per cent of the disqualifications in Florida were for nonavailability, voluntarily leaving,

there were 4,370 disqualifications imposed. The percentage of disqualifications imposed to eligible claims filed during the year was 31.09, which was slightly under the percentage for the first six months. Figures for the first half of the year only are used in the text because data from other states for the last half of the year were not available for comparison.

¹³ Data for first half of 1943 are listed on the questionnaires returned by twenty-five states.

¹⁴ Cf. chap. iv: "Administration of Disqualifications—Dealing with the Moral Hazard."

¹⁰ Data for 1941 are listed on questionnaires returned by twenty-one states.

¹¹ Data for 1942 are listed on the questionnaires returned by twenty-three states.

¹² During the complete calendar year of 1943 there were 17,284 initial claims filed in Florida, of which 14,052 were determined valid or eligible, and

and refusal of referrals, while in 1942 these three reasons accounted for 8.38 per cent of the disqualifications. In the first half of 1943 the percentage of disqualifications in Florida because of non-availability for work was 33.7, as compared to 19.5 in 1941 and 1942, and 10.3 in 1940. Corresponding increases took place in other states, as shown by data listed in Table 18.

The percentage of eligible claimants in Florida who are disqualified has constantly increased each year since the payment of benefits was begun in 1939, during which year only approximately 2.5 per cent were disqualified.¹⁵ As employment opportunities have increased, the Florida Industrial Commission has increased its scrutiny of unemployment claims. The present shortage of manpower during wartime has caused the public to look with suspicion upon unemployment claims, and this attitude is reflected in the commission's present application of the disqualifications provided in the law. Although this increase in disqualifications is due in larger part to an increasingly strict interpretation and application of the disqualification provisions, it is attributed in part to increasing co-operation by employers in the matter of filing notices of separation and to improved procedures by the agency as it acquired experience in administering the law.

DRAWING THE LINE OF DISQUALIFICATION

The procedures generally followed with respect to the filing and determination of claims is described in the chapter on "Administration of Disqualifications—Dealing with the Moral Hazard." In Florida the initial and continued claims are filed by the claimants in local offices of

the United States Employment Service. These offices transmit the claims to the central office of the Florida Industrial Commission for determination.

If the claims examiner in the central office finds that a claimant has sufficient wage credits, a notice is mailed to the claimant's last employer, informing him that the claimant has filed a valid claim for benefits and requesting that he notify the commission "if the conditions under which this individual left your employ are such that he may be disqualified for voluntarily quitting without good cause, for having been discharged for misconduct in connection with his work, or for participation in a labor dispute." The bottom half of this notice to the employer is a "Notice of Separation," which the employer may fill out and return. Some employers mail in a "Notice of Separation" at the time of separation, without waiting until they have been notified that the individual has filed a claim. These notices are filed in Social Security number order, in the regular claim files, and all new claims are screened against this file. Where, according to the information on his initial claim, it appears that the claimant is eligible and that his unemployment resulted from nondisqualifying causes, and either no notice of separation has been received from the last employer or the notice of separation does not list a disqualifying reason, the claims examiner determines the claim "eligible," and a first "pay-order" card is mailed the local office to be signed by the claimant at the end of his first compensable week.

If the initial claim, or a notice received from the last employer, or a report from the local employment office, contains information indicating that the claimant may be ineligible or subject to disqualification, the initial claim ex-

¹⁵ See Table 29 in the Appendix.

aminer refers the claim to a claims examiner in the adjustment unit of the Benefit Department for further handling and determination. The claim examiner in the adjustment unit may write a letter to the claimant, the employer, or the local office, requesting additional information; or he may request a field investigation of the case by a deputy of the commission; or he may simply proceed to make a determination on the basis of the information before him. Field investigations are requested in relatively few benefit cases in Florida. The adjustment unit frequently does write to the local office or the employer for additional information or requests the local office to interview the claimant for the purpose of securing additional information. Most determinations, however, are simply based on the information listed on the initial claim and on the notice of separation, if any.

After the claims examiner in the adjustment unit has completed his "investigation," he makes a determination. If it appears from a statement made by the claimant on his claim that the claimant is ineligible or subject to a disqualification, he is determined to be ineligible or disqualified without further investigation. If the claimant gives "lack of work" as his reason for separation and the employer submits a notice of separation stating the cause of separation as voluntarily quit without good cause, or discharge for misconduct connected with his work, or other disqualifying cause, the claims examiner writes the local office to reinterview the claimant regarding his reason for separation. Determination is withheld until a reply has been received from the local office, so that the examiner may attempt to reconcile the contentions. In the event the information submitted by the employer is am-

biguous, the examiner will write the employer for additional information.

The claim-takers in the local offices are on the alert to prevent payment of benefits to claimants who are not eligible or who should be disqualified. To doubtful claims they attach memoranda stating why they consider the claimants should be held ineligible or disqualified. If, from a local office memorandum attached to a claim, it appears that a claimant is ineligible or subject to a disqualification, he is determined to be ineligible or disqualified without further investigation, unless the information submitted is ambiguous. In the event the local office report is ambiguous, the examiner will write the local office for additional information before making a determination.

Where the claimant, instead of simply checking the item of "lack of work," states on his initial claim a full and complete account of his separation, from which it appears that he became unemployed under nondisqualifying circumstances, but the last employer submits a notice of separation from which it appears that the claimant became unemployed under disqualifying circumstances, the claims examiner tries to reconcile the contradictory versions before making a determination. In such cases he generally writes the local office, requesting that the claimant be interviewed in the light of the employer's contentions, and may write the employer for his reply to the claimant's contentions.

After a determination has been made disqualifying a claimant or holding him ineligible, he may file a request for reconsideration, submitting additional information therewith. If an employer protests a determination holding a claimant eligible without disqualification, or submits a notice of separation after the ini-

tial determination has been made, the claims examiner will reconsider his decision and may amend the initial determination. Either the claimant or the employer may appeal to an appeals referee from any determination or redetermination made by the claims examiner.

During the week ending December 18, 1943, the claims examiners in Florida made determinations on 207 initial claims for benefits. They found 43 of the claimants ineligible because of insufficient wage credits. The remaining 164 claimants were found to have sufficient wage credits to qualify for benefits, and their claims were determined as follows:

Eligible without disqualification.....	126
Disqualified or held ineligible.....	32
Eligible—tentatively, pending receipt of additional information.....	6

A detailed examination of the claim files on each of the 126 claims which were determined eligible without disqualification was made, to see by what tests and how uniformly the line of disqualification was established. This analysis may be summarized as follows:

Reason for Determination	No.
a) Reason for separation listed on claim as "lack of work"; no notice of separation received from employer; and no adverse report received from claim-taker.....	70
b) Reason for separation listed on claim as "lack of work"; and same reason listed by employer on notice of separation...	42
c) Information on claim and/or furnished by employer or claim-taker indicated claimant quit because work was too heavy or hours too long, but that claimant is able to do other work.....	9
d) Claimant left work to enter military service and was recently released from such service.....	1
e) Employer reported separation as "voluntary quit," but information submitted indicated claimant had "good cause".....	1
f) Claimant quit because employer failed	

to pay him union scale of wages as promised.....	1
g) Claimants quit to accompany husbands to new residence where husbands had work.....	2

Total held eligible without disqualification.....	126
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The 32 claims disqualified or held ineligible because of reasons other than insufficient wage credits may be grouped as follows:

Reason for Disqualification	No.
a) Voluntarily quit without good cause (based on notice of separation from employer or information stated on claim)...	13
b) Discharge for misconduct connected with work (based on notice of separation from employer or information stated on claim).....	5
c) Refused referral to suitable work at time of filing claim or prior to initial determination (based on report from local office).....	2
d) Labor dispute (information on claim)...	2
e) Not able to work or not available for work (based on information on claim or report from local office; some of these were subsequently redetermined and held eligible after receipt of additional information).....	10

Total disqualified for benefits.....	32
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Some of the 126 claimants initially held to be eligible without disqualification were subsequently disqualified for refusing to accept referrals to suitable work after the initial determination had been issued.

Of the 207 claims determined in the week ending December 18, 1943, 43 were invalid because the claimants lacked sufficient wage credits and 164 were found to be valid or "eligible" claims. The 32 claimants disqualified (or held to be ineligible because not available for work) constituted approximately 20 per cent of the number who filed valid claims. Some of the remaining 80 per cent, in-

tially held eligible without disqualification, were subsequently disqualified for refusing referrals to suitable work. Thus it appears that the sample of 164 valid claims examined is reasonably typical of the claims determined in Florida in 1943, during which year the total number of disqualifications imposed equaled 31.09 per cent of the number of valid claims filed.

From this analysis it appears that the Florida agency on initial determination is allowing benefits only in cases where the information available to the claims examiner clearly indicates that the claimants meet all the eligibility conditions of the Unemployment Compensation Law and are not subject to any disqualification. This "restrictive" policy, of course, results in some claimants' being disqualified who would not be disqualified if more complete investigations were made of all claims. The number of disqualifications reversed or set aside by the appeals referees does not fully reflect this situation, as probably some claimants who are erroneously disqualified do not bother to file appeals, having obtained employment soon after filing their claims.

Table 10 shows the number of appeals withdrawn or dismissed for failure to appear and the number of examiners' determinations affirmed, modified, and reversed by the appeals referees in Florida from 1940 through 1943.

In the section of chapter iv dealing with "Appeals from Determination," it was pointed out that during the period from 1940 through 1943 only from 5 to 10 per cent of the disqualified claimants filed appeals from the examiners' determinations in Florida.¹⁶ In 1942 approximately 5.59 per cent of the disqualified claimants filed appeals, but in 1943 ap-

peals were filed by 10.5 per cent. This increase in ratio of appeals to disqualifications reflects the impact of the more "restrictive" policy inaugurated by the agency in the latter part of 1942. Since the last employer is notified of each valid claim filed, and the agency is following procedures intended to allow benefits only to claimants who clearly meet all of the eligibility conditions and are not subject to any disqualification, it appears that relatively few claimants in Florida escape disqualification in cases where disqualifications should be imposed.

Experience rating has furnished employers with an incentive to submit notices of separation in all cases where separations occur under circumstances which may warrant disqualifications, and the claim-taking offices have been on the alert to report information coming to their attention which may affect claimant's rights to benefits. During 1943 Florida employers submitted 75,860 notices of separation to the Florida Industrial Commission, although only 17,284 initial claims for benefits were filed during the year.

INDUSTRIAL DISTRIBUTION OF DISQUALIFIED WORKERS IN FLORIDA

In order to ascertain whether working conditions in particular industries might have a bearing on disqualifications, a tabulation by industry was made of the disqualifications levied in Florida during 1940 for voluntary quitting and for discharge for misconduct. Little significance can be drawn from the absolute number of disqualifications by industry, since the number of claims filed for benefits varies greatly among the various industries in the state. The number of disqualifications by industry should be related to the total number of eligible claimants classified by industry. A tabu-

¹⁶ See Table 4 in the Appendix.

lation of valid initial claims by industry was not available, but the total number of benefit checks issued during 1940 had been classified according to industrial divisions.¹⁷ A comparison of disqualifications and checks issued by industrial division is presented in Table 11.

This table indicates that the large majority of the disqualifications were levied against workers in the wholesale and retail trade, manufacturing, and service divisions and also that most of the benefit payments were paid to workers in these industrial divisions. The proportion of disqualifications exceeded the proportion of benefit payments only in the finance, insurance, and real estate, service, and wholesale and retail trade divisions. The proportion of disqualifications in the finance, insurance, and real estate division was over twice the proportion of benefit payments for this division. The proportion of disqualifications in the wholesale and retail trade division was only slightly greater than the proportion of benefit payments for this industrial division.

A similar comparison of disqualifications and benefit checks issued by industrial divisions in Florida during 1942 is presented in Table 12. From this table it is seen that in 1942, as in 1940, the large majority of disqualifications were levied against workers in the wholesale and retail trade, manufacturing, and service divisions. Workers in these divisions received 69 per cent of all benefit payments. As in 1940, the only divisions in which the proportion of disqualifications materially exceeded the proportion of benefit payments were the finance, insurance, and real estate division, service division, and wholesale and retail

trade division. In the construction division, during both 1940 and 1942, the proportion of benefit payments was approximately two and a half times the proportion of disqualifications.

DISTRIBUTION BY REASON FOR DISQUALIFICATION

Most of the disqualifications imposed in Florida during 1940 and 1941 were either for voluntary quitting without good cause or for discharge for misconduct connected with work. In 1942, however, the majority of disqualifications were for voluntary quitting and refusal of suitable work. In all three years voluntary quitting was the most frequent cause for disqualification, only varying from 32.1 to 37.4 per cent of the total. The disqualifications based on discharge for misconduct were 28.8 per cent of the total in 1940, but decreased to 19.5 per cent in 1941 and to only 12.4 per cent in 1942, thereby dropping from second to fourth place. Disqualifications for refusal of suitable work increased from 4.7 per cent in 1940 to 11.3 per cent in 1941 and 26.9 per cent in 1942, thereby rising from fourth to second place. In both 1941 and 1942 disqualifications because "not available for work" were third in importance, being 19.5 per cent of the total, while labor disputes continued to decrease as a cause for disqualifications.

An examination of the records of the Florida Industrial Commission for the years 1940, 1941, and 1942, including registers of claims disposed and reterminations, reveals the classification of disqualifications by reason as shown in Table 13.

The percentage of disqualifications to eligible claims filed increased sharply in 1941 over 1940, increasing to 9.5 per cent from 6.3 per cent. While the total number of eligible claims determined in 1941

¹⁷ Florida Industrial Commission, *Fifth Annual Report of the Florida Industrial Commission, 1940* (Tallahassee, January 31, 1941), Table 5, pp. 80-83.

was only a slight increase over the number determined in 1940, being 66,553 and 60,627, respectively, or an increase of approximately 10 per cent, it is noted that the number of disqualifications imposed for voluntarily quitting was 2,264 in 1941 as compared to 1,223 in 1940, an increase of approximately 85 per cent. The increase in number of disqualifications for discharge for misconduct imposed in 1941 over 1940 was only approximately 10 per cent, paralleling the increase in total eligible claims disposed. The number of disqualifications imposed for unemployment due to labor disputes was practically the same in both years. It appears that the number of disqualifications imposed for unavailability and refusal of work in 1941 was considerably higher than the number imposed in 1940. Therefore, it is apparent that the ratio of disqualifications to eligible claims was much higher in 1941 than in 1940 and that this increase was due almost entirely to the large increase in the number of disqualifications assessed for voluntarily quitting, unavailability for work, and refusal of suitable work.

While the total number of eligible claims determined in 1942 was a slight decrease from the number determined in 1941, being 58,470 and 60,627, respectively, the number of disqualifications imposed increased from 6,321 to 7,591. Thus the percentage of disqualifications to eligible claims filed increased from 9.5 per cent in 1941 to 13 per cent in 1942. This increase was principally due to the large increase in disqualifications for refusal of suitable work, 2,040 such disqualifications having been made in 1942 as compared to only 715 in 1941. This may be accounted for by the fact that jobs were more plentiful in 1942. Claimants probably were less inclined to accept the first job offered them, and it was

possible to apply the test oftener by actually offering jobs to the claimants.

Table 14 brings forward the data for 1941 and 1942 for comparison to that of the first half of 1943.

During the first six months of 1943 there was a marked decrease in percentage of the disqualifications which were imposed in Florida for voluntarily leaving work, as compared to the years 1940, 1941, and 1942. By a comparison with the annual data covering reasons for disqualification in 1940 and 1942, it is also apparent that the percentage of disqualifications which were imposed because of discharge for misconduct has decreased each year until this reason accounted only for 6.2 per cent of the disqualifications in the first half of 1943. On the other hand, the percentage of disqualifications for refusal of suitable work has tended to increase each year, being 4.7 per cent in 1940 but reaching 26.9 per cent in 1942 and 24.2 per cent in the first half of 1943. The percentage of disqualifications for "not available for work" has also increased each year, rising from 10.3 in 1940 to 19.5 in 1941 and 1942 and to 33.7 in the first half of 1943. Thus disqualifications for voluntarily leaving work and discharge for misconduct, which in former years accounted for over 50 per cent of the total disqualifications, have materially decreased. At the same time, disqualifications for refusal of suitable work and nonavailability for work, which in 1940 accounted for only 15 per cent of the total disqualifications, have materially increased and during the first half of 1943 accounted for 57.9 per cent of the disqualifications. These trends are undoubtedly a reflection of the changing conditions of the labor market.

Only one or two brief labor disputes in a year, each involving a considerable number of workers, may operate to over-

emphasize labor disputes as a reason for disqualification in tabulations of the type presented in Tables 13 and 14. For instance, most of the 570 claimants disqualified in Florida in 1941 for participating in labor disputes were involved in a labor dispute at one lumber mill and remained disqualified for only the twenty-five days the dispute existed. Most of the 375 claimants disqualified during the first half of 1943 for participating in labor disputes were involved in a cigar industry dispute which lasted only a week or two.

Comparative data from thirteen other states are presented in Table 15, listing distribution of disqualifications by reason during the year 1940 in percentages.

Of the total number of disqualifications imposed during 1940 in the fourteen states listed in Table 14, voluntarily leaving work without good cause was the most frequent reason for disqualification, accounting for 51.0 per cent. This same reason headed the list in Florida, with 32.1 per cent. Discharge for misconduct was second in importance, both in the fourteen states as a whole and in Florida, being 21.7 per cent and 28.8 per cent, respectively. Disqualifications for non-availability for work amounted to 9.9 per cent of the total disqualifications in the fourteen states, and to 10.3 per cent of the disqualifications in Florida, being third in importance in the fourteen states as a whole and third in Florida if the highly variable item of labor disputes is disregarded. Disqualifications for refusal of suitable work were 3.2 per cent of the total in the fourteen states and 4.7 per cent in Florida.

Data on distribution of disqualifications by reason during 1941 in eighteen states are presented in Table 16.

While the mercurial item of labor disputes accounted for 22.7 per cent of the

disqualifications in the eighteen states as a whole and for only 9.0 per cent in Florida during 1941, the ranking of the other reasons for disqualification in the eighteen states as a whole parallels their ranking in Florida. As in 1940, voluntarily leaving work was first in importance, with 37.3 per cent in the eighteen states and 35.8 per cent in Florida. Nonavailability for work was second in ranking, with 16.4 per cent in the eighteen states and 19.5 per cent in Florida, as compared to third in importance in 1940. Discharge for misconduct, which ranked second in 1940, was third in importance in 1941, being 10.6 per cent in the group of states and 19.5 per cent in Florida. Disqualifications for refusal of suitable work ranked fourth in 1941, with 7.6 per cent in the eighteen states as a whole and 11.3 per cent in Florida, although disqualifications for this reason were only sixth in importance in 1940.

The distribution of disqualifications by reason for disqualification during 1942, in twenty states, is given in Table 17.

During 1942 the item of labor disputes was responsible for only 3.3 per cent of the disqualifications in the twenty states as a whole and 1.4 per cent in Florida. As in previous years, the most important reason for disqualification was voluntarily leaving work. This reason accounted for 39.6 per cent of the disqualifications imposed in the twenty states as a whole and 37.4 per cent in Florida. As in 1941, nonavailability for work was second in ranking in the group of states as a whole, being 28.6 per cent of the total. In Florida the second item in importance during 1942 was refusal of suitable work (26.9 per cent), and nonavailability for work ranked third (19.5 per cent). However, nonavailability for work and refusal of suitable work are so closely related

lated that sometimes a refusal of work is considered evidence of nonavailability; and in Connecticut the data on refusal of work are included in the item of not available for work. Refusal of suitable work was third in ranking in the twenty states as a whole, being 13.0 per cent. Nonavailability for work and refusal of suitable work together accounted for 41.6 per cent of the disqualifications in the twenty states and 46.4 per cent of the disqualifications in Florida in 1942. Disqualifications based on discharge for misconduct amounted to 9.8 per cent in the twenty states as a whole and 12.4 per cent in Florida, ranking fourth in both tabulations. Disqualifications for this reason ranked second in 1940 and third in 1941.

Data from twenty-five states with respect to distribution of disqualifications by reason, during the first six months of 1943, are contained in Table 18.

The experience of the twenty-five states listed in Table 18 taken as a whole closely parallels the experience in Florida during the first six months of 1943. In the twenty-five states as a whole, as well as in Florida separately, nonavailability for work was the most important reason for disqualification during the first half of 1943, amounting to 46.7 per cent and 33.7 per cent, respectively. Refusal of suitable work ranked second in both the group and in Florida alone, being 20.9 per cent in the former and 24.2 per cent in the latter. These two reasons for disqualification thus accounted for 67.6 per cent of the disqualifications imposed during the first half of 1943 in the twenty-five states as a whole and for 57.9 per cent in Florida.

Voluntarily leaving work, which ranked first among reasons for disqualification in 1940, 1941, and 1942, was only third in importance during the first six

months of 1943, being 20.7 per cent in the group of states and 20.9 per cent in Florida. In the first half of 1943 discharge for misconduct accounted for only 4.1 per cent of the disqualifications in the twenty-five states and for 6.2 per cent in Florida. The percentage of disqualifications assignable to this reason has decreased each year since 1940 in the groups of states studied as well as in Florida, dropping to third place in 1941, fourth place in 1942, and fifth place in the first half of 1943.

The marked decrease in the percentage of disqualifications assignable to voluntarily leaving work in Florida during the first six months of 1943, as compared to the years 1940, 1941, and 1942, paralleled a like decrease in the groups of states listed in Tables 15, 16, 17, and 18. On the other hand, the percentage of disqualifications for both refusal of suitable work and nonavailability for work has increased each year in the groups of states listed, in a similar manner to the increase recorded in Florida. The percentage for refusal of suitable work in the states listed was 3.2 in 1940, 7.6 in 1941, 13.0 in 1942, and 20.9 in the first half of 1943. The percentage for nonavailability was 9.9 in 1940, 16.4 in 1941, 28.6 in 1942, and 46.7 in the first six months of 1943.

Thus, disqualifications for voluntarily leaving work and discharge for misconduct, which in 1940 accounted for 72.7 per cent of the total disqualifications in fourteen states (60.9 per cent in Florida), had decreased to 24.8 per cent of the total disqualifications in twenty-five states in the first half of 1943 (27.1 per cent in Florida). At the same time, disqualifications for refusal of suitable work and nonavailability for work, which in 1940 accounted for only 13.1 per cent of the total disqualifications in fourteen

states and 15 per cent of the disqualifications in Florida, have materially increased and during the first half of 1943 accounted for 67.6 per cent of the disqualifications in twenty-five states and 57.9 per cent in Florida. These trends are undoubtedly a reflection of the changing conditions of the labor market.

From the data examined it appears that the experience of Florida in administering its disqualification provisions is reasonably typical of that of many other states, probably the majority of the states. The tables presented demonstrate that the most important reasons for disqualification are (1) leaving work voluntarily without good cause, (2) discharge for misconduct connected with work, (3) unavailability for work, (4) refusal of suitable work, and (5) unemployment due to labor disputes. These five reasons accounted for from 91 to 99 per cent of the disqualifications imposed in Florida and represented from 91 to 95 per cent of the disqualifications assessed in the groups of states listed in Tables 15-18 during the years since 1939.

SEVERITY OF DISQUALIFICATIONS

Aside from the number of disqualifications levied, the chief question raised by employers regarding this problem pertains to the severity of the disqualifications and as to whether they result ultimately in reduced payments. Disqualifications for voluntarily quitting, discharge for misconduct, and refusal of work generally involve suspension of benefits for definite periods, and accurate data on the severity of disqualifications imposed for these reasons may be compiled. Disqualifications for unemployment due to labor disputes and for unavailability for work are imposed for indefinite duration, being for the period of unavailability or while the dispute is in

active progress. An examination of the records imposing disqualifications for the two reasons last mentioned, therefore, would not disclose the severity or duration of the disqualifications; such data could be compiled only by separately examining thousands of individual benefit history files and computing the length of time each such disqualification remained in effect. This section, accordingly, is limited to a study of the severity of disqualifications imposed for voluntarily quitting, discharge for misconduct, and refusal of work, the three most frequently assigned reasons involving suspension of benefits for definite periods.

During 1940 and until July 1, 1941, the disqualification in Florida for voluntarily quitting or discharge for misconduct was in the form of a suspension of benefits for the week of separation and for not more than the seven weeks which immediately followed such week and/or a reduction in available benefit credits by not more than three weekly benefit amounts, as determined by the Florida Industrial Commission according to the circumstances in each case.¹⁸ During the same period the disqualification for refusing suitable work was suspension of benefits for the week in which the refusal occurred and for not more than the five weeks following and/or a reduction in available benefit credits by not more than three weekly payments as determined by the commission in each case.¹⁹

Table 13 lists the number of disqualifications imposed in Florida during 1940 for voluntarily quitting, discharge for misconduct, and refusal of work, as 1,223, 1,097, and 178, respectively. A few of the benefit files involved were not readily

¹⁸ *Acts of 1939, Laws of Florida*, chap. 19637, Florida Unemployment Compensation Law, sec. 6-A.

¹⁹ *Ibid.*, sec. 6-B.

obtainable for tabulation, but over 90 per cent of them were examined for data relative to the severity of disqualification, industry from which separated, weekly benefit amount, and duration of benefits. The data so obtained relative to severity of disqualifications in 1940 are presented in Table 19.

There appears to be a concentration of disqualifications levied toward the maximum number of weeks allowable, with the money disqualifications (reduction in available benefit credits) being reserved for the worst cases. Of disqualifications for voluntary quitting, 77.9 per cent were for five weeks or more; 70.5 per cent of discharge for misconduct disqualifications were for five weeks or more; and 78.5 per cent of the disqualifications for refusing suitable work were for five weeks or by reduction of credits. Money disqualifications were considered more severe than five-week disqualifications, although in some instances a money disqualification was not accompanied by a lengthened waiting period because eight weeks or more had elapsed after the employment separation and prior to the filing of the claim, thereby rendering it impossible to lengthen the waiting period through disqualification.

Reductions in available benefit credits were only infrequently imposed, constituting only 4.5 per cent of the disqualifications assessed for voluntarily leaving, 16.2 per cent of those for discharge for misconduct, and 17.7 per cent of those for refusal of suitable work. Of the 2,277 disqualifications classified, only 243 involved reduction in benefit rights, or approximately 11 per cent of the total. Although disqualifications were imposed in not less than 6.3 per cent of the eligible claims determined in 1940, the disqualifications involving reduction of benefit credits were only slightly over

0.4 per cent of such determinations. Not all the money disqualifications constituted the maximum three weeks' reduction in benefit credits. A separate classification of the disqualifications involving reduction in benefit credits, supplementing Table 19, is given in Table 30.

Comparative data for 1940 from nine other states are presented in Table 20.²⁰ The comparisons presented in Table 20, and those presented in Tables 22 and 24 are not so significant as they would be if data from all the states had been presented so that disqualifications imposed in Florida could have been compared to those imposed in the nation as a whole.²¹ The variations in the different state laws, also, must be kept in mind to evaluate fully any comparisons of the severity of disqualifications imposed in the different states.²² As these data are presented, however, primarily to permit some comparison of the disqualifications per se imposed in several states, no attempt has been made to correlate the data on severity of disqualifications with the variations in the state laws. The impact of the disqualifications on the claimants affected is the same whether the severity of the disqualifications in a particular state resulted from the legislature's fixing a severe minimum period of disqualification or from the administrative agency's following a policy of assessing the maximum period allowed under the law. In presenting these data on severity, however, attention is called only to comparisons of a very general nature.

²⁰ The data were secured by questionnaires, in which nine other states furnished data for 1940 with respect to severity of disqualifications.

²¹ Questionnaires were sent to all fifty-one states. Only those listed in the tables furnished the data requested.

²² See Table 3 in the Appendix.

Of the ten states for which 1940 data on severity of disqualifications are available, Florida was by far the most severe in its disqualifications for voluntarily leaving work. In Florida 54.4 per cent of the claimants disqualified for this reason had their benefits suspended for over five weeks, while in the ten states as a whole only 2.3 per cent were suspended for more than five weeks. In the group as a whole 84.7 per cent of the voluntary quit disqualifications were for one to three weeks; in Florida only 13.0 per cent were for this period.

In severity of disqualifications for discharge for misconduct during 1940, Florida was exceeded only by New Mexico, which assessed over seven weeks in 67.7 per cent of its misconduct cases. Florida, however, in 1940 was limited by statute to the maximum of seven weeks' suspension and imposed disqualifications of from six to seven weeks in 45.5 per cent of the cases. In the ten states as a whole, only 8.3 per cent of the misconduct disqualifications were over five weeks, and 74.4 per cent were not over three weeks.

In 1940 the law in Florida limited the period for which benefits could be suspended for refusal of suitable work to five weeks but provided that available benefit credits could be reduced by three weeks. In 68.8 per cent of the refusal-of-work cases in Florida during that year, disqualifications of four to five weeks were imposed, and in an additional 17.7 per cent of the cases benefit credits were reduced and benefits were suspended. This, however, was in line with the data for the ten states as a whole.

Effective July 1, 1941, the Florida act was amended to extend the maximum period of suspension of benefits in cases involving voluntarily quitting and discharge for misconduct to the week of

separation and the twelve weeks following and to eliminate the provision for reduction in benefit credits in such cases.²³ However, no change was made in the disqualification for refusal of suitable work. The severity of disqualifications for these three reasons during the twelve months immediately following the amendment is indicated by the data in Table 21.²⁴

From Table 21 it is apparent that disqualifications for voluntarily quitting and discharge for misconduct during the twelve months ending June 30, 1942, were concentrated in the five-to-seven-week group, and the ten-to-twelve-week group. Of the disqualifications for voluntarily quitting, 48.6 per cent were for five to seven weeks and 35.8 per cent for ten to twelve weeks. Of the disqualifications for discharge for misconduct, 56.3 per cent were for five to seven weeks and 25 per cent for ten to twelve weeks. It is probable that during the first several months after July 1, 1941, the claims examiners tended to think in terms of the old law and impose disqualifications of from five to seven weeks in the vast majority of cases, as they had done when seven weeks was the maximum, and that only after the new maximum of twelve weeks had been in effect for several months did they begin assessing disqualifications of from ten to twelve weeks in any substantial number of cases. Therefore, it is likely that most of the five-to-seven-week disqualifications shown in the table for voluntarily quitting and discharge for misconduct were assessed during the six months ending December 31, 1941, and that most of the ten-to-twelve-

²³ *Florida Statutes*, 1941, sec. 443.06(1).

²⁴ The severity of disqualifications in Florida for voluntarily quitting, discharge for misconduct, and refusal of suitable work during the calendar year of 1942 is shown in Table 31.

week disqualifications shown were levied during the six months ending June 30, 1942. The impact of the Japanese attack at Pearl Harbor on December 7, 1941, and our immediate entry into war and war production, may have caused the claims examiners to increase sharply the percentage of cases in which they imposed maximum or near-maximum disqualifications.

Thus it appears that the tendency indicated in 1940 in Florida, to concentrate disqualifications at or near the maximum was generally continued in 1941 and 1942. It further appears that in 1941 and 1942 the severity of disqualifications, in weeks, for refusal of suitable work showed an increase over the severity of same in 1940, the number of cases in which the maximum reduction of five weeks was applied, without reduction of credits, increasing from 60.7 to 75.7 per cent, although the number of cases in which benefit credits were reduced dropped from 17.7 to the negligible figure of 2.1 per cent.

Comparative data from thirteen other states are included in Table 22.²⁵ In the fourteen states as a whole, including Florida, 58.3 per cent of the disqualifications imposed during the twelve months ending June 30, 1942, for voluntarily quitting, were for only one to three weeks, while in Florida only 3.5 per cent were for three weeks or less. In Florida 35.8 per cent of the disqualifications for voluntarily quitting were for ten to twelve weeks, as compared to 5.1 per cent for ten weeks or over in the fourteen states as a whole. Of the states listed, only New Mexico and Minnesota exceeded Florida in severity of the disqualifications imposed for this reason.

²⁵ The data were secured by questionnaires, in which thirteen states furnished 1941-42 data on severity of disqualifications.

In the group of fourteen states as a whole, 59.5 per cent of the disqualifications imposed for discharge for misconduct were for one to three weeks, while in Florida only 5.9 per cent were under four weeks. From Table 22 it appears that for the group the percentage of disqualifications for misconduct which were over seven weeks was only 10.5 per cent, as compared to 33.5 per cent in Florida. New Mexico and Minnesota exceeded Florida in the severity of the disqualifications they imposed for this reason also.

With respect to refusal of suitable work, the disqualifications in Florida were concentrated at the four-to-five-week level, five weeks being the maximum period for which benefits could be suspended for this reason. The data for Utah show a similar concentration. For the group as a whole, however, the concentration with respect to refusal of work is above five weeks.

Supporting the statement that beginning several months after July 1, 1941, there was a growing tendency in Florida to assess disqualifications at or near the new maximum of twelve weeks in cases involving voluntarily quitting or discharge for misconduct, and to indicate the extent this tendency has now reached, the severity of disqualifications imposed during the twelve months ending June 30, 1943, is shown in Table 23.

From this table it is seen that by July 1, 1942, the tendency to impose near-maximum disqualifications for voluntarily quitting had reached such extent that, during the succeeding twelve months, 75.6 per cent of the disqualifications in this category were for ten to twelve weeks and only 10.2 per cent for five to seven weeks; whereas, during the immediately preceding twelve months, 48.6 per cent were for five to seven weeks and only 35.8 per cent involved dis-

qualifications for ten to twelve weeks. Not so pronounced was this trend with reference to disqualifications for discharge for misconduct. During the twelve months ending June 30, 1943, 42.1 per cent of the disqualifications for discharge were for ten to twelve weeks, as compared to 25.0 per cent during the immediately preceding twelve months. It is noted that the number of such disqualifications for five to seven weeks continued relatively high in the twelve months ending July 30, 1943, as compared to the preceding twelve months, being 34.0 per cent and 56.3 per cent, respectively. Thus it appears that the policy practiced in 1940 of concentrating the bulk of disqualifications near the maximum (70.5 per cent of the disqualifications for discharge in 1940 being near the then maximum of seven weeks) had been somewhat modified with respect to cases involving discharge for misconduct. During the two years from July 1, 1941, to June 30, 1943, two points of concentration are apparent in the classification of disqualifications for such discharge by severity, 75-80 per cent of these disqualifications being for either five to seven weeks or ten to twelve weeks. Evidently, the claims examiners are assessing the five-to-seven-week disqualifications in cases involving discharge for misconduct of a minor or trivial nature and the ten-to-twelve-week disqualification in instances where the misconduct is substantial, or so it appears from a number of appealed determinations recently examined.

The percentage of the disqualifications for refusing suitable work in which the maximum five-week suspension of benefits has been imposed, with no reduction in benefit credits, has steadily increased, being 60.7 in 1940, 75.7 in the twelve

months ending June 30, 1942, and 87.2 per cent in the twelve months ending June 30, 1943.

Data from fifteen other states with respect to severity of disqualifications are compared with that for Florida for the twelve months ending June 30, 1943, in Table 24.

From this table it is seen that in the sixteen states as a whole during the twelve months ending June 30, 1943, there were two points of concentration with respect to disqualifications for voluntary quitting, 45.3 per cent being for one to three weeks and 36.9 per cent being for six to seven weeks. In Florida only 0.2 per cent of the disqualifications for this reason were as small as one to three weeks, and only 8.2 per cent were for six to seven weeks. In this period the bulk of Florida's disqualifications for voluntarily leaving work—75.6 per cent—were for ten to twelve weeks. In New Mexico and Minnesota 83.7 per cent and 71.3 per cent, respectively, were for over twelve weeks.

In the group of states as a whole 66.8 per cent of the disqualifications during the same period for misconduct discharge were for one to five weeks, while in Florida only 15.6 per cent were for less than six weeks. In Florida 42.1 per cent of the disqualifications for this reason were for ten to twelve weeks, as compared to only 8.2 per cent over nine weeks in the total of sixteen states. Minnesota and New Mexico, however, assessed approximately 75 per cent of their disqualifications for this reason at over twelve weeks.

During the twelve months ending June 30, 1943, 87.2 per cent of the disqualifications imposed in Florida for refusing suitable work were for five weeks, the maximum period for which benefits

may be suspended for this reason under the Florida statute, and benefit credits were reduced in 2.5 per cent of the cases. In the sixteen states as a whole 63.9 per cent of the disqualifications for this reason were for over five weeks or by reduction in benefit credits. Only 2.1 per cent of the disqualifications in Florida and only 8.8 per cent of those in the group as a whole were for less than four weeks. Montana, Utah, and West Virginia, like Florida, concentrated a high percentage of their disqualifications for refusing work at the four-to-five-week level, while California, Kansas, and New Mexico made over 90 per cent of their disqualifications for this reason for four to five weeks or over five weeks, and Nebraska, New York, and Hawaii assessed over five weeks or reduced benefit credits in all of their cases.

From the data examined it appears that Florida, New Mexico, and Minnesota have been imposing more severe disqualifications in cases involving voluntarily leaving work and discharge for misconduct than have the other states listed in the tables. Florida, however, is in line with the group as a whole in assessing disqualifications of more than three weeks in most of the cases involving refusal of suitable work. Since July 1, 1941, more than 75 per cent of the disqualifications imposed in Florida for this reason have been for five weeks, the maximum period under the Florida statute, and in the group of states as a whole more than 50 per cent of the disqualifications imposed for this reason have been for over five weeks or by reduction of benefit credits.

In Florida there has been a constantly increasing tendency toward more severe disqualifications for voluntarily leaving work, 73.4 per cent of such disqualifica-

tions in 1940, 93.9 per cent in 1941-42, and 98.9 per cent in 1942-43, being for more than four weeks. This tendency is reflected in the data presented for other states, which show that in the group as a whole 15.3 per cent in 1940, 41.7 per cent in 1941-42, and 54.7 per cent in 1942-43 were for more than three weeks. Florida has shown a similar tendency with respect to disqualifications based on discharge for misconduct, assessing more than five weeks in 54.4 per cent of the disqualifications in 1940, 64.4 per cent in 1941-42, and 84.4 per cent in 1942-43. This tendency is likewise reflected in the group data, which show that in the group as a whole 8.3 per cent in 1940, 24.1 per cent in 1941-42, and 33.2 per cent in 1942-43 were for more than five weeks. With respect to disqualifications for refusal of suitable work, in Florida 75.7 per cent in 1940, 84.2 per cent in 1941-42, and 97.9 per cent in 1942-43 were for more than three weeks, while in the group of states as a whole 75.7 per cent in 1940, 75.2 per cent in 1941-42, and 91.2 per cent in 1942-43 were for over three weeks.

COMPARISON OF WEEKLY BENEFIT AMOUNT OF DISQUALIFIED WORKERS WITH ALL BENEFIT RECIPIENTS

It is conceivable that there might be a definite relationship between the wages earned by a group of workers and the disqualification rate, i.e., the lower-paid workers might be more likely to quit voluntarily to seek other employment or be discharged for misconduct. Table 25 compares the weekly benefit amounts of those workers disqualified for voluntarily quitting and for discharge for misconduct during 1940 with the weekly benefit amounts of all payments for total unemployment made in 1940, thereby giving

an indication of whether the weekly wages of the disqualified workers are relatively low or relatively high.²⁶

The relationship indicated by this table is that the disqualified workers had somewhat higher weekly benefit amounts than eligible claimants in general. There was a larger percentage of "all benefit payments for total unemployment" in each of the dollar intervals below \$8.00 than there were disqualified claimants, the relationship tending to change for weekly benefit amounts of \$8.00 or more. Forty-eight per cent of the disqualified workers had weekly benefit amounts of \$10.00 or more; while 41 per cent of all total unemployment payments were for weekly benefit amounts of \$10.00 or more.

Thus it appears that the disqualified claimants are somewhat higher paid than the average eligible claimant, although the difference is not great. It appears possible, then, that those workers who are somewhat better than the average and feel that they have good chances of obtaining other jobs are the ones who are more likely to quit or be lax about their conduct on the job, but the difference in percentage is not enough to warrant more than a speculation in this connection. From this table it would appear that 69 per cent of all totally unemployed benefit recipients have weekly benefit amounts of \$8.00 or more, while 76.4 per cent of claimants disqualified for voluntarily quitting and discharge for misconduct fall in the class having weekly benefit amounts of \$8.00 or more.

²⁶ The same case files on voluntary quitting and discharge for misconduct were used in preparing this table as were tabulated in making Tables 11 and 19, only 2,091 case files of the 2,320 such disqualifications classified in Table 13 being available for examination.

DURATION OF BENEFITS OF DISQUALIFIED CLAIMANTS COMPARED WITH DURATION OF ALL RECIPIENTS

An indication of whether the additional waiting period levied against disqualified claimants results in a reduction in total benefit payments can be obtained by a comparison of the duration of benefits for disqualified claimants with the duration of benefits of all eligible claimants who filed claims during the same period.²⁷

A more graphic picture of the impact of disqualifications on total benefit payments is obtained by comparison of the unexhausted potential duration of benefits for disqualified claimants with the unexhausted potential duration for all

²⁷ By dividing a claimant's available benefit credits by his weekly benefit amount, the number of weeks for which he may be paid benefits for total unemployment during his benefit year is obtained. This "number of weeks for which he may be paid benefits for total unemployment during his benefit year" is the claimant's potential "duration of benefits." The number of weeks for which a claimant is actually paid benefits for total unemployment during a benefit year is his actual "duration of benefits." If a claimant receives benefits for partial unemployment, he may receive less than his full weekly benefit amount in some weeks and therefore actually receive some benefits in a greater number of weeks than if he were receiving benefits for total unemployment, as a claimant is not limited to the number of weeks in which he may receive benefits during a benefit year but only as to the total amount of benefits he is entitled to receive during a benefit year and the maximum amount he may receive for any one week. Therefore, to obtain the actual duration of benefits for a claimant who has been paid benefits for partial unemployment, it is necessary to divide the total amount of benefits paid to him during the benefit year by his weekly benefit amount for total unemployment. For instance, a claimant may have available credits of \$200.00 and a weekly benefit amount of \$15.00. If he receives \$5.00 a week for partial unemployment in thirty weeks during a benefit year, or a total amount of \$150.00 in benefits, his actual "duration of benefits" is said to be ten weeks, the number of weeks for which he would have received benefits if the \$150.00 had been paid him at the rate of \$15.00 a week for total unemployment.

eligible claimants. The unexhausted potential duration is obtained by subtracting the claimant's actual duration of benefits during his benefit year from his potential duration of benefits for that year. Thus there may be compared the percentage of disqualified claimants and of all eligible claimants who completely exhaust their available credits, who exhaust all but one week of their potential duration of benefits, who exhaust all but two weeks of their potential duration, etc., during a particular period.

In Florida 35,725 eligible claimants commenced benefit years during the six months ending July 1, 1940, and 1,136 of these were assessed some disqualification for voluntarily leaving, being discharged for misconduct, or refusing suitable work. (These three types of disqualification were selected for classification because they involve a definite number of weeks, whereas disqualifications based on labor disputes and unavailability are of indefinite duration.) The benefit years for these claimants terminated between January 1 and July 1, 1941. The benefit ledger of each of these claimants was examined to determine the available benefit credits of each and the total amount of benefits actually received by each during his benefit year. The available credit of each was then converted into potential duration of benefits and the amount of benefits actually paid each claimant converted into actual duration of benefits for total unemployment. From these data there were determined the number of claimants who exhausted their benefit credits, the number who received all but one week of their potential duration, the number who received all but two weeks, etc., and the number of claimants in each such classification who were disqualified at any

time during their benefit years. This classification is presented in Table 26.

From this table it appears that on eligible claims filed in Florida during the period from January 1, 1940, to July 1, 1940 (with benefit years ending between January 1 and July 1, 1941), 60.1 per cent of all eligible claimants completely exhausted their benefit rights, while only 47.1 per cent of the claimants who incurred some disqualification, for one of the three reasons mentioned, exhausted their benefit rights.²⁸ In the same period 27.7 per cent of the disqualified claimants received no benefits, while only 9.3 per cent of all eligible claimants did not receive any benefits. Of the disqualified claimants, 74.8 per cent either exhausted their available credits or received no benefits, and, of the group embracing all eligible claimants, 69.4 per cent either exhausted their credits or received no benefits. Thus it appears that those who received some benefits but did not exhaust their credits composed only approximately 30 per cent in either group, and the approximately 70 per cent in each group who either exhausted their credits or received no benefits at all constitute the best data for determining the impact of disqualifications on benefit payments. Of course, the actual saving to the fund in dollars which resulted from the disqualifications cannot be determined. Even though we assume that 60.1 per cent of the disqualified claimants would have exhausted their benefit rights if they had not been required to

²⁸ The proportion of all beneficiaries who completely exhausted their benefit rights during benefit years ending in 1941 fell between 40 and 60 per cent in thirty-two states, according to a survey prepared by the Bureau of Employment Security, Social Security Board, reported in *Social Security Bulletin*, VI, No. 8 (August, 1943), 12-21, under the title "Duration of Unemployment Benefit Payments, Benefit Years Ended in 1941."

serve disqualifications, that is, that an additional 13 per cent would have exhausted their credits but for their disqualification, there is no method of actually determining how many of the disqualified claimants were otherwise eligible for benefits during their disqualification period or the number of weeks for which they would have actually claimed and received benefits during such period if they had not been disqualified. Many of the disqualified claimants may have obtained work early in their disqualification period and on that account would not have been eligible for benefits even in the absence of disqualification. The same consideration applies to any comparison of the percentage of disqualified claimants who received no benefits to the percentage of all eligible claimants who received no benefits. The 9.3 per cent of eligible claimants who filed claims but received no benefits probably represents individuals who filed claims but succeeded in securing employment before the end of their first compensable week. Likewise, the 27.7 per cent of disqualified claimants who received no benefits probably represents individuals who succeeded in securing employment before the expiration of their disqualification period and therefore never filed claims for benefits for compensable weeks. Some of these 27.7 per cent may have secured employment within less than two weeks after filing their initial claims and therefore never have become eligible to receive benefits even if they had not been disqualified.

However, assuming that the rate of re-employment was the same among the disqualified claimants as among the entire group of claimants, that all other factors of eligibility were equal, that the average weekly benefit amounts for both groups were the same, that the aver-

age amounts of available credits in both groups were the same, and that in the absence of the disqualifications the claimants in both groups would have filed claims at the same ratio, it would appear that the disqualifications resulted in 18.4 per cent, or 209, of the disqualified claimants receiving no benefits who otherwise would have. However, this is only 0.58 per cent of the number of all eligible claimants whose benefit years ended during the same period.

From Table 26 it appears that an additional 13 per cent of the 1,136 disqualified claimants probably would have exhausted their credits if they had not been disqualified. Had this additional 148 claimants exhausted their credits, it would have raised the percentage of all eligible claimants who exhausted their credits by less than 0.7 per cent.

Comparative data on duration of benefits in six other states are presented in Table 27.²⁹

The difference between the percentage of all eligible claimants and the percentage of disqualified claimants who completely exhausted their available credits was about the same in Connecticut, Florida, Montana, and North Dakota, being between 10 and 15 per cent, while in New Mexico it was only 4.3 per cent. In Minnesota the percentage of disqualified claimants who completely exhausted their available credits was greater than the corresponding percentage of all eligible claimants because wage credits from the last employer were canceled in cases involving voluntary leaving or discharge for misconduct. In Ohio the percentage of disqualified claimants who completely exhausted their available credits was greater than the correspond-

²⁹ These comparative data on duration of benefits were listed in questionnaires returned by six states.

ing percentage for all eligible claimants because available credits were reduced by charging each week of disqualification as if paid in cases involving voluntary leaving or discharge for misconduct.³⁰

In Florida, Minnesota, Montana, and New Mexico the percentage of disqualified claimants who received no benefits exceeded the corresponding percentage for all eligible claimants. The reverse was true in Connecticut, North Dakota, and Ohio. In North Dakota and Ohio, however, the percentages of all eligible claimants who received no benefits were about the same as the percentages of disqualified claimants who received no benefits.

During the year 1941, 67,331 eligible claimants commenced benefit years in Florida, and 4,211 of these were assessed some disqualification for voluntarily leaving work, being discharged for misconduct, or refusing suitable work. The benefit years for these claimants terminated between January 1 and December 31, 1942. The benefit ledger of each of these claimants was examined to determine the available benefit credits of each and the total amount of benefits actually received by each during his benefit year. As in the preparation of Table 26, from these data there were determined the number of claimants who exhausted their benefit credits, the number who received no benefits, the numbers in intermediate classifications, and the number of claimants in each such classification who were disqualified at any time during their benefit years. This classification is presented in Table 28.

From this table it appears that on eligible claims filed during 1941, with benefit years ending during 1942, 47.5 per cent of all eligible claimants completely

exhausted their benefit rights, while only 29.6 per cent of the claimants who incurred some disqualification, for one of the three reasons mentioned, exhausted their benefit rights. In the same period 38.6 per cent of the disqualified claimants received no benefits, while only 9.8 per cent of all eligible claimants did not receive any benefits. Of the disqualified claimants, 68.2 per cent either exhausted their available credits or received no benefits, which number approximates the corresponding percentage computed from the data in Table 26 with respect to claimants whose benefit years ended between January 1 and July 1, 1941. The percentage of exhaustions for claimants with benefit years ending in 1942, however, was less than that for claimants with benefit years ending in the first half of 1941, both with respect to disqualified claimants and with respect to all eligible claimants.

For claimants with benefit years ending in the first six months of 1941, the percentage of disqualified claimants who exhausted their benefit rights was approximately four-fifths of the percentage of all eligible claimants who exhausted their benefit rights, while for claimants with benefit years ending in 1942 the corresponding ratio was approximately three-fifths. The percentage of disqualified claimants who received no benefits during benefit years ending in the first half of 1941 was approximately three times the percentage of all eligible claimants who received no benefits in that period. For claimants with benefit years ending in 1942, the former percentage was approximately four times the latter.

The 9.3 per cent of all eligible claimants with benefit years ending in 1942 who received no benefits probably represents individuals who filed claims but succeeded in securing employment be-

³⁰ See Table 3 and notes thereto.

fore the end of their first compensable week. This percentage is approximately the same as the corresponding figures in Table 26. The 38.6 per cent of disqualified claimants who received no benefits probably represents individuals who succeeded in securing employment before the expiration of their disqualification periods, this being an increase over the 27.7 per cent who received no benefits in the first half of the preceding year.

Assuming that the rate of re-employment was the same among the disqualified claimants as among the entire group of claimants and that all other factors were equal, it would appear that the disqualifications resulted in 28.8 per cent, or 1,212, of the disqualified claimants receiving no benefits who otherwise would have. This was, however, only 1.8 per cent of the total number of eligible claimants whose benefit years ended during 1942. It would further appear that an additional 17.9 per cent of the 4,211 disqualified claimants might have exhausted their credits if they had not been disqualified. Had these additional 754 claimants exhausted their credits, it would have raised the percentage of all eligible claimants who exhausted their credits by less than 1.12 per cent.

From the foregoing comparisons it is evident that the saving to the fund in actual money which results from the imposition of disqualifications is negligible in comparison to the total amount of benefits paid and that the degree of protection to the program afforded by the administration of the disqualification provisions is not to be measured by any monetary standard. Rather, the degree of protection to the program affected by proper assessment of disqualifications is to be determined by how well such disqualifications assist in limiting the payment of benefits to the "genuinely un-

employed," whose unemployment is not existing because of conditions within their control. Therefore, the periods of disqualification should not be determined with a view to the amount of actual money they can save for the fund, and for the employers who contribute thereto, but should be determined solely to postpone benefits until a time when the worker's unemployment is considered as occasioned by his inability to find a job rather than due to its original cause, without penalizing the worker because of the origin of his unemployment.

CONCLUSIONS

The unemployment compensation program is designed to reduce the menace to the health, morale, and welfare of workers which stems from the economic insecurity of unemployment and to maintain the purchasing power of the people. The various state legislatures enacted unemployment compensation laws, under the general police powers of the states, because the public good required the compulsory setting-aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own.³¹ The ultimate objective of disqualifications is to insure that benefits are paid only for involuntary unemployment due to labor-market conditions or arising out of causes connected with the labor market, i.e., to assure that benefits are paid only to eligible workers who continue in unemployment through no fault of their own. Disqualification provisions should not be framed or administered with any penalty concept in mind.

A defensible system of disqualifications should suspend payment of benefits while a worker is unable to work or

³¹ See "Declaration of Public Policy," *Florida Statutes*, 1941, sec. 443.01, and similar sections in other state unemployment compensation laws.

unavailable for work and while he is unemployed due to a labor dispute in which he is directly interested. It should suspend payment of benefits to a worker for a reasonable period immediately following the date such worker voluntarily leaves his employment without good cause or is discharged for misconduct connected with his work. If an unemployed worker fails without good cause to apply for or to accept available suitable work, or to take available free vocational training under certain circumstances, when so directed by the appropriate agency, he should have his benefits suspended for a period of weeks thereafter. Income received by a claimant under the Federal Old-Age and Survivors Insurance program, and from certain other specified sources, should operate to reduce his unemployment benefits by a corresponding amount.

Disqualifications should be for relatively short periods, and unemployment beyond such periods should ordinarily be considered as due to conditions of the labor market beyond the worker's control. In cases involving voluntary leaving, discharge for misconduct, and refusal of suitable work or training, it would be well for the statute to fix six weeks as the general period of disqualification but to give the administrative agency authority to reduce this period to three weeks in cases involving circumstances which justify a more lenient disqualification and to extend the period to not more than twelve weeks in the more serious cases. The six-week disqualification period under the British National Insurance Act appears to be a good mean or average around which to build standards for disqualifications for such causes. Paul H. Douglas' suggestion that the maximum period be fixed at twelve weeks to prevent possible vic-

timization of claimants appears reasonable and proper. The German provision for a six-week disqualification in ordinary cases, which may be reduced to three or extended to twelve weeks in cases involving special circumstances, seems to embody the best features of the British six-week disqualification, Douglas' suggestion of a twelve-week maximum, and the seven-to-nine-week maximum frequently fixed in present state laws. Such provision has the great advantage of definitely fixing the norm to be applied in average cases and yet allows for sufficient discretionary action to make application equitable in cases deserving modification or justifying a more severe disqualification. It should prevent the present practice in some states of applying near-maximum disqualifications in all average cases.

Disqualification in the form of a suspension of claimant's benefit eligibility for the entire duration of a particular period of unemployment often operates to prevent the claimant from receiving benefits long after a causal relation has ceased to exist between his unemployment and the disqualifying act, and thereby in effect prevents the payment of benefits to a worker who is unemployed through no fault of his own. This type of disqualification is not justifiable. The only reasons for disqualification meriting a disqualification of even similar nature to the "duration of unemployment" type are unemployment due to a labor dispute and unavailability for work, and even in these cases the disqualification should last only during the period for which a direct causal relation exists between the disqualifying act and the worker's unemployment, terminating when the labor dispute ceases to be in active progress or the worker becomes available for work, as the case may be.

Cancellation of wage credits or reduction in available benefit credits being in the nature of a fine should be discontinued as a disqualification. Attainment of the objective of preventing the payment of benefits under specified conditions can be served by simply suspending payment of benefits for a period of time.

A greater degree of uniformity in the operation of the various state unemployment compensation laws would result if the reasons for disqualification were stated in the several laws in identical language. As thirty-nine states limit their disqualification for voluntarily leaving to those cases which involve leaving without good cause, all states might well conform to this majority stand; and, as only six states require that the cause be attributable to the employer, this requirement might well be eliminated. Forty-six states base the disqualification for discharge on discharge for misconduct connected with the individual's work. This wording seems acceptable as a standard.

Thirty-four states follow the language of the draft bill in providing that an unemployed individual shall be eligible to receive benefits with respect to any week only if the agency finds that "he is able to work and is available for work," and the other state laws contain similar language designed to accomplish the same purpose. It would appear advisable in the interest of uniformity for all the states to follow the draft bill in this respect. As this eligibility condition is often treated by the agencies as a cause for "disqualification," particularly if the situation arises after the claimant has initially been determined "eligible," it may be desirable to conform the law to the practice by specifically providing in the disqualification section that an individual shall be disqualified for benefits

for any week with respect to which he is either not able to work or is not available for work. Such provision could be in addition to, and not in lieu of, the eligibility provision.

Criteria for determining the suitability of work for an individual should be standardized and contained in all state laws; and the disqualification for failing without good cause to apply for available suitable work when so directed by the employment office, or to accept suitable work when offered by such office or an employing unit, should be the same in all the state acts. Training courses to render the unemployed workers more employable should be provided, with disqualification under stated circumstances for those refusing to take suitable training when directed by the agency.

As thirty-three states disqualify workers for any week in which their unemployment is due to a stoppage of work which exists because of a labor dispute at the establishment where they were employed, it might appear reasonable that this formula be accepted by the other states in the interest of uniformity. There can be a labor dispute without any appreciable stoppage of work, however, and many administrative agencies have held that the stoppage of work terminated when the employer resumed operations on a near normal basis, although a substantial number of workers were still remaining away from work or otherwise maintaining the labor dispute in active progress. Therefore, it would appear more desirable to follow the lead of the thirteen states which disqualify the worker during the period his unemployment is due to a labor dispute in active progress at the establishment where he was employed, regardless of whether there is a stoppage of work. Of course, it should be provided that such disquali-

fication shall not apply to any worker who is not participating in or directly interested in the dispute and who does not belong to a grade or class of workers which is so doing.

While the percentage of disqualifications imposed during the first half of 1943 was abnormally high because of wartime conditions affecting the labor market, it is probable that disqualifications will continue to be an important factor in the administration of the unemployment compensation program. Taking 1941 and 1942 as more average years, it is reasonable to assume that in normal times the number of disqualifications will equal about 10 or 12 per cent of the number of claims filed. Therefore, both employers and the administrative agencies must maintain a continuing interest in the problem.

The responsibility of furnishing the administrative agencies with the information necessary to determine disqualifications for voluntarily leaving and for discharge for misconduct must rest primarily upon the employers of the state. They should furnish notices of separation to the administrative agency promptly in all cases of voluntary quitting and discharge which they consider may warrant disqualification. The information furnished should be fair, accurate, and in sufficient detail to enable the agency to determine whether a disqualification is applicable. For information necessary in determining disqualifications for refusal of suitable work and unavailability for work, the agencies must rely primarily upon the United States Employment Service and its own investigations. However, when a claimant for benefits refuses work offered him directly by an employer, the employer should notify the agency promptly.

In a talk before the Interstate Con-

ference of Employment Security Agencies in October, 1943, the chairman of the Social Security Board, Arthur J. Altmeyer, called attention to the rapid and persistent trend of state legislation and state administration toward the imposition of more and more severe disqualifications on workers and for an increasing number of causes. He said:

Through the years we have centered much attention on the amount of the average weekly benefit and the duration of benefits. These seemed to constitute the heart of the problem of improvement in the benefit structure. However, at the very time that many State laws were being liberalized in benefit rates and duration, the disqualification provisions were made much more restrictive in many State laws.³²

In a recent article based on an address by Mr. Ewan Clague, director of the Bureau of Employment Security, before the Conference of General Counsel and Appeals Personnel of State Unemployment Compensation Agencies in Region VI, November 3, 1943, Mr. Clague and Miss Ruth Reticker stated:

Ever since benefits have been paid under the State unemployment compensation laws, there has been an unmistakable trend toward more rigid disqualification provisions and more severe penalties for disqualification. It is clear that the trend is not merely a temporary adjustment to the war-time attitude that in a period of manpower shortage everyone should be at work and no one should be drawing benefits. . . .

The trend in disqualifications appearing in State unemployment compensation laws is directly opposite to the trend of liberalizing benefit amounts and duration. By denying access to benefits, disqualifications can nullify provisions for more liberal benefits. . . .

Typically, disqualification has involved the denial of benefits but only for the period during which the cause of a claimant's unem-

³² Ewan Clague and Ruth Reticker, "Trends in Disqualification from Benefits under State Unemployment Compensation Laws," *Social Security Bulletin*, VII, No. 1 (January, 1944), 12.

ployment could be considered the original disqualifying act. If he continued to be unemployed after that period, his unemployment would be due to the general state of the labor market in which he could not get a job. There is a definite tendency to increase the period of disqualification. As of January 1, 1944, a claimant who leaves work voluntarily without good cause may be disqualified for the duration of his unemployment in 10 states. . . .

In unemployment insurance systems in other countries, disqualification has involved no diminution of total benefit rights in a benefit year. In the State systems there is an increasing tendency to cancel benefit rights which would have been drawn during the period of disqualification, or to cancel all benefit rights resulting from the employment which terminated under a disqualifying condition. . . . These provisions protect the employer's account by eliminating not only payments during a disqualification period but also the possibility of the payment, later in the benefit year, of benefits which might be charged to his account. . . . The employer's pressure for disqualifications—in statute and in practice—has led to an attitude that an unemployed worker has a claim against a particular employer rather than against the State. . . .

Some State legislatures have been persuaded by arguments of interested groups to place increasingly severe restrictions on the payment of benefits. They have not appreciated that the lines of benefit decisions which are now being built up may prove to be a boomerang. If after the war millions of men are again out of work and faced with hunger for themselves and their families, public opinion will respond to the tragedy of individual cases. Some men and women deprived of benefits by what seems unjust decisions will carry their cases far. The personal appeal of such cases will bring discredit to the program. . . . In States which cancel or reduce benefit rights the returning serviceman who risked his life for his country may find his benefit rights lost by reason of some petty infraction of a shop rule before he entered the Army.³³

In an address delivered at the National Conference on Social Security, Chamber of Commerce of the United States, Washington, D.C., on January

10, 1944, Mr. George E. Bigge, a member of the Social Security Board, summed up the situation with respect to disqualifications:

This general tendency to impose more numerous and more rigorous disqualifications is one of the most serious developments in recent years, and there seems to be little doubt that it is related to the increasing emphasis on tax reduction in the form of experience rating. Here we come to one of the most fundamental problems of our unemployment compensation program. There is a basic inconsistency between the assumptions underlying experience rating as it is working out and the principles of social insurance. . . .

Experience leaves little doubt, too, that in part at least the unduly harsh disqualification provisions mentioned earlier grow out of a desire to limit payments which might be charged to an employer's account, as a means of securing reduced tax rates. It is very significant that of the States which do not have experience rating not one has this kind of disqualification, especially the mandatory cancellation of benefit rights and the double penalties; whereas in States which have reduced rates there has been a rapid spread of such disqualifications. . . .

Another weakness which has become apparent, although the results are not at the moment serious, is the failure of the Federal-State program, so far, to develop any procedures for distributing over the country as a whole a part of the excessive burden which would fall on certain States in any period of serious unemployment. . . . Unemployment is not controlled within a single State any more than employment is. If benefits in Michigan in the summer of 1939 were three times the contributions collected, while in the District of Columbia they were only a fraction of contributions, it was not because of any vice in Michigan or virtue in the District; it was simply because people all over the Nation—or all over the world—bought automobiles spasmodically, or stopped buying for a while, whereas a steady stream of purchasing power poured into the District to keep workers regularly employed. Until we devise some means of spreading the funds more evenly over the Nation in case of need, so that workers will have reasonably comparable protection regardless of State boundaries, and so that there will be no imminent

³³ *Ibid.*, pp. 12-23.

danger of insolvency of certain State funds while other State funds are overflowing—or while employers in other States pay very small contributions or none at all—we cannot claim to have a sound and effective unemployment compensation program.

And I am not making an argument for federalizing the program. Much of the objective could be achieved by appropriate modifications of the existing program, without changing its basic Federal-State character. This would mean some kind of national standard for benefits, and some pooling of funds so that States which bear a disproportionate share of

our national burden of unemployment will get some help from the rest of the Nation. So far there seems to have been little interest on the part of State administrators in developing such legislation. I realize it is not easy; but unless some changes are made which will protect the benefit rights of workers and the solvency of the several State funds, I am afraid that Federal operation would become inevitable in any period of serious unemployment.³⁴

³⁴ "Strength and Weakness of the Unemployment Compensation Program," *Social Security Bulletin*, VII, No. 2 (February, 1944), 5-11.

CHAPTER VI

TECHNIQUES IN STUDYING DISQUALIFICATIONS

THIS study is in the nature of an interim report, which should be continued and expanded to cover data on a national basis. Comprehensive data on disqualifications should be continuously kept by the state unemployment compensation agencies and reported to a central agency at regular intervals. The central agency could periodically compile and analyze the data submitted, making it available to all state agencies, legislatures, and other interested groups.

SCOPE OF ORIGINAL STUDY

The writer originally undertook to prepare only a study of disqualifications under the Florida Unemployment Compensation Law based on operations during 1940, believing that a compilation of such data would be valuable to the Florida Industrial Commission and of interest to the employers in Florida. He sought to compile information with respect to the percentage of eligible claimants who are disqualified, the percentage of the disqualifications assessed assign-

able to the various reasons for disqualification, the relative severity of the disqualifications actually imposed, the rate of disqualification in different wage groups, the rate of disqualifications among workers in the separate industrial classifications, and the ratio of benefit credit exhaustion by disqualified claimants to exhaustions by all eligible claimants.

The Benefit Department of the Commission had kept records of the number of initial claims filed, number of claims found valid or "eligible," and number of disqualifications imposed. The ratio of disqualifications to eligible claims filed, therefore, was readily determined. The other data desired presented a more difficult problem, not having been systematically segregated, compiled, and totaled. The Benefit Department, however, had kept registers of claims disposed and of claims reconsidered. By tallying the entries in these registers, it was possible to obtain the number of claimants disqualified for each reason for disqualification and compute the per-

centage of each to the total. This information is presented in Table 13. The data so compiled for 1940 are not so complete as those for subsequent years, because when only one or two redeterminations involving nonavailability or refusal of work were made over a period of several days they sometimes were not included in the 1940 registers.

Data relative to the severity of disqualifications imposed, weekly benefit amount of disqualified claimants, industrial classification of the claimants, and duration of benefits were not available from the registers of claims disposed and redetermined. It was necessary, therefore, to examine the initial claim filed by each disqualified claimant and the record of determinations made with respect thereto. As disqualifications for voluntary quitting, discharge for misconduct, and refusal of work involved suspension of benefits for definite periods, accurate data on the severity of disqualifications imposed for these reasons could be compiled from the original record of the determinations and redeterminations with respect thereto. Disqualifications for unemployment due to labor disputes and for unavailability for work were for indefinite duration, and the severity of disqualifications imposed for these reasons could not be determined by examination of the records showing assessment of the disqualification. Such data could be compiled only by separately examining thousands of individual benefit history files and computing the length of time each such disqualification remained in effect. Therefore, in compiling data on severity of disqualifications, it was decided to limit it to disqualifications imposed for voluntarily quitting, discharge for misconduct, and refusal of work, because disqualifications for these three reasons are

initially imposed for definite periods of time.

While examining the initial claims and records of determinations to obtain data on severity of disqualifications, it was decided to obtain from these same claims and records the data on rate of disqualifications in different wage groups, the rate of disqualification among workers in different industrial classifications, and the ratio of benefit exhaustions.

To obtain these data, the Social Security numbers of all individuals disqualified for voluntary quitting, discharge for misconduct, and refusal of suitable work were obtained from the registers of claims disposed and of claims redetermined. The initial claim, wage transcript, and record of determinations of each of these claimants was then "pulled" from the benefit files, and these papers were sorted into three piles, according to reason for disqualification. Benefit files were not readily obtainable for all the Social Security numbers obtained from the registers, as a few of the files were "out" for reconsideration or other reasons. However, of the 1,223 disqualifications imposed in 1940 for voluntary quitting, files on 1,097 were available; and, of the 1,097 disqualifications for discharge for misconduct, the files on 994 were available. In examining these files, it was found that some of the claimants initially disqualified for voluntary quitting or discharge for misconduct had been subsequently disqualified for refusing suitable work but that the latter disqualifications had not always been included in the registers. Therefore, 186 disqualifications for refusal of suitable work were tabulated, while the registers had listed only 178.

From these files there were first tabulated the severity of the disqualifications imposed, as shown in Table 19. Then the

files of the 1,097 claimants disqualified for voluntary quitting and the 994 disqualified for discharge for misconduct, totaling 2,091 files, were classified by weekly benefit amounts and compared with percentage of all benefit payments which was made in each weekly benefit amount classification, as shown in Table 25. The same 2,091 files were tallied for industrial classification of claimants, and the percentage in each industrial classification compared with the percentage of all benefit payments which fell in each such classification. These data are presented in Table 11.

These files of claimants disqualified in 1940 for voluntary quitting, discharge for misconduct, and refusal of suitable work each contain a benefit ledger sheet listing the benefit payments issued to the claimant. The benefit ledger sheets of the claimants who filed their claims during the first half of 1940, being 1,136 in number, were then tallied to determine the number of these claimants who completely exhausted their benefit credits, the number who exhausted all but one week of their potential benefits, the number who exhausted all but two weeks of their potential benefits (and so on up through the number who exhausted all but fifteen weeks of their potential benefits—sixteen weeks being the maximum number of weeks for which claimant could receive benefits in a benefit year), and the number who received no benefits. This tabulation is presented in Table 26, in which the percentage of claimants in each classification is compared to the percentage of all eligible claimants in the same classification. Subsequently a similar tally was made with respect to claimants who filed claims during 1941, which data are presented in Table 28. (The practice of including benefit ledger sheets in each

claimant's file was subsequently discontinued, and, therefore, similar tables for claims filed in 1942 and 1943 were not attempted.)

This study of 1940 data aroused so much interest in the Florida Industrial Commission that it was determined to increase the value of the materials by bringing the study as nearly up to date as was practical. Primary interest was expressed in the items involving ratio of disqualifications to valid claims filed, distribution of disqualifications by reason therefor, and relative severity of disqualifications imposed. Therefore, data for subsequent years were compiled with respect to these three items, including data for the first half of 1943, following the procedure used in securing the 1940 data. Because of the length of time required and the assistance necessary to examine and tally individually the thousands of claim files involved, no attempt was made to bring up to date the data on rate of disqualification in different wage groups, the rate of disqualification among workers in separate industrial classifications, or the ratio of benefit exhaustions by disqualified claimants. Data on rate of disqualification among workers in separate industrial classifications were prepared for 1942, however, for comparison with the like data in Table 11 and are presented as Table 12.

Because of the general interest of employers and other groups in the subject of disqualifications, a condensation of the Florida data so compiled was published in October, 1943, in *Economic Leaflets*, a monthly publication of the Bureau of Economic and Business Research of the College of Business Administration of the University of Florida.¹

¹ James E. Chace, "Unemployment Compensation Disqualifications in Florida," *Economic Leaflets*

EXPANSION OF ORIGINAL STUDY

The thesis committee of the School of Business of the University of Chicago, through Professor R. W. Stone, suggested that, since the experience in one state is too narrow for generalizations, the study could be made more significant if comparative data from two or three other states could be included. A preliminary draft of the study, therefore, was placed in the hands of Mr. Ewan Clague, director of the Bureau of Employment Security, Social Security Board, for his comments and suggestions and the possibility of securing comparative data through the Bureau investigated. Mr. Clague made several helpful suggestions with respect to the study but was unable to furnish the desired comparative data as no data of national scope have heretofore been compiled with respect to the items covered by the original Florida research.

The plan was then developed to secure comparative data from as many states as possible through the use of a questionnaire. Mr. Boyce A. Williams, chairman of the Florida Industrial Commission, whose interest had made the compilation of the Florida data possible, co-operated by mailing a copy of the questionnaire to the unemployment compensation administrator in each state, with a letter requesting that the comparative data be furnished if possible. These letters explained that the completed study would be made available to all state unemployment compensation agencies and inclosed a copy of *Economic Leaflets* (October, 1943) to show the type of study being undertaken.

The data listed in the questionnaires

returned by the administrators in twelve states were, in general, very complete, with the exception of the section on duration of benefits of disqualified claimants.² Data in questionnaires submitted from nine other states were reasonably complete with respect to the sections covering percentage of eligible claimants disqualified, and classification of disqualifications by reason for disqualification.³ Seven states submitted partial data with respect to one or more sections of the questionnaire.⁴

The administrators of the unemployment compensation agencies in Indiana, Pennsylvania, and Delaware advised that they were unable to furnish the requested data because all disqualifications in those states prior to July 1, 1943, were handled entirely in the local offices, and no state-wide statistics on disqualifications were maintained.

The unemployment compensation agencies in Rhode Island and Maryland replied that such data were not readily available in their agencies and that shortage of personnel and pressure of work precluded them from devoting the time required to assemble the data at present.

The administrators in New Mexico, Louisiana, and North Carolina advised that they had never compiled the statistics called for by the questionnaire but that they would take steps to develop the requested information and submit it when available. The data from

² Alabama, California, Kansas, Minnesota, Montana, Nebraska, New Mexico, Ohio, Oregon, Tennessee, Utah, and Hawaii.

³ Colorado, Connecticut, Iowa, Maine, Mississippi, New York, North Dakota, Washington, and Wisconsin.

⁴ Arizona, Illinois, New Hampshire, New Jersey, South Dakota, West Virginia, and District of Columbia.

XI, No. 11 (Gainesville: Bureau of Economic and Business Research, College of Business Administration, University of Florida, October, 1943), 1-4.

these three states, however, had not been received at the time the final draft of this study was ready for release.

The data secured by these questionnaires were tabulated and arranged in tables in such manner as to be most readily comparable with the Florida data theretofore compiled. These tables have been included in this study, each such table generally following the Florida table containing like data.

CONTINUATION OF THE STUDY

To compile such data on a national scale, as a permanent cumulative project, would be a monumental task requiring the resources of such an establishment as the Federal Security Agency and is an undertaking quite beyond the reach of one individual or one state unemployment compensation agency. Even the data here presented were made possible only by the co-operation of the Florida Industrial Commission and twenty-eight other state administrative agencies.

Since so many of the state unemployment compensation administrative agencies did devote the necessary time and labor to the task of compiling the data requested by the questionnaire, and others undertook to begin compiling such data for future use, it appears that most of the states probably would be glad to co-operate with some central agency in

the permanent cumulation of such data by supplying regular periodic reports. These reports should include such data as those presented in this study and possibly other data with respect to disqualifications. This information would be invaluable to the various state unemployment compensation agencies and legislatures and to the Federal Security Agency. It would be useful to the state agencies in connection with the planning of future policies, to the legislatures in considering amendments to the state unemployment compensation laws, and to the Federal Security Agency in making recommendations to the states regarding more uniform disqualifications. From the compilation and study of such data, the states might evolve national standards with respect to disqualifications acceptable to all the states, thereby overcoming one of the arguments for federalization of the unemployment compensation program. Unless some such standardization is attained, including disqualification for reasonable periods of time in appropriate cases and excluding disqualifications for the duration of unemployment or which operate to cancel the workers' benefit credits, federal operation of the unemployment compensation program may become inevitable.⁵

⁵ George E. Bigge, "Strength and Weakness of the Unemployment Compensation Program," *Social Security Bulletin*, VII, No. 2 (February, 1944), 11.

CHAPTER VII

RELATION OF EXPERIENCE RATING TO THE PROBLEM

THE two primary objectives of experience rating are stabilization of employment and a more precise distribution of the social costs of production than otherwise would be possible.¹ It has also been suggested that such rating prevents abuses of the system by workers in that it encourages employers to examine workers' claims and report disqualifying causes to the administrator. Experience in England has demonstrated that experience rating can have very little effect on stabilization of employment or in reducing the total volume of unemployment.²

EXPERIENCE OF GREAT BRITAIN

The first British unemployment insurance law, in 1911, contained provisions for refunds to employers who maintained workers in continuous employment.³ However, in the Ministry of Labour's *Report* of July, 1923, it was stated that "there was no evidence that the claims to benefits were appreciably reduced on account of these refunds, which therefore operated as a considerable burden

on the fund."⁴ Nor was there any evidence that the refunds served to stabilize employment.⁵ After a trial of nine years Great Britain found that differential rates did not promote regularity of employment.⁶

When Sir William Beveridge presented his comprehensive report on British social insurance in 1942, the question of excepted occupations came up for discussion, and he recommended that all the excepted occupations be included in the general system.

If those industries which have a small risk of unemployment are required to stand in, together with all others, those industries which claim to have no risks of unemployment may also be required to stand in with the others. Any distinctions within the scheme lead to difficult demarcation problems. Where as with the central government and the railway companies, some of the employees contribute for unemployment insurance while the others are exempt, the additional objection may be made that the industry escapes contributing its full share to the Unemployment Fund. . . . The view taken here is that, as regards unemployment, all industries should stand together. . . .⁷

Another contribution rate differential was authorized in a provision of the 1920 British act following the establishment of "special schemes," under which an industry might, on certain conditions,

¹ Paul H. Douglas, *Standards of Unemployment Insurance* (Chicago: University of Chicago Press, 1933), pp. 158-60; Harry A. Millis and Royal E. Montgomery, *Labor's Risks and Social Insurance* (New York: McGraw-Hill Book Co., Inc., 1938), p. 167; Herman Feldman and Donald M. Smith, *The Case for Experience Rating in Unemployment Compensation and a Proposed Method* (New York: Industrial Relations Counselors, Inc., 1939).

² Richard A. Lester and Charles V. Kidd, *The Case against Experience Rating in Unemployment Compensation* (New York: Industrial Relations Counselors, Inc., 1939), p. 15.

³ *Ibid.*

⁴ Great Britain, Ministry of Labour, *Report on National Unemployment Insurance to July, 1923* (London, 1924), p. 35.

⁵ Lester and Kidd, *op. cit.*, p. 15.

⁶ *Ibid.*, p. 16.

⁷ Sir William Beveridge, *Social Insurance and Allied Services* (Toronto: Macmillan Co., 1942), p. 63. (Report photolithographed.)

"contract out" of the general system.⁸ The 1920 act widened the range of industries in which employment was covered but at the same time allowed certain industries to contract out, presumably "to reduce to a minimum the opposition of industries with a low experience of unemployment."⁹ This provision was the outgrowth of a continued agitation for insurance by industry as against a uniform all-inclusive system.

Although it had been expected that the power to contract out would be widely exercised, only two special schemes were established. In 1921 a scheme covering the commercial insurance industry was approved, and subsequently one was approved for banking and finance. Then the minister's power to approve special schemes was suspended, but without prejudice to any already approved or under consideration.¹⁰ The suspension was due, on the one hand, to the government's apprehension lest industries with stable employment contract out, leaving those with a large percentage of unemployment to draw on the fund; and, on the other hand, to the fact that widespread unemployment "in quarters that had previously been considered immune" quenched the desire of other industries to contract out.¹¹

The Blanesburgh Committee gave serious consideration to the question of contracting out, which, the committee declared, "seems inconsistent with the

idea of a national scheme based on the interdependence of all industries."¹²

The National Confederation of Employers' organizations is opposed to the idea, and so, too, are such bodies as the National Union of Manufacturers and the Association of British Chamber of Commerce. The attitude of the Trade Unions is the same. The General Council holds the opinion that "as the cost of unemployment insurance should be spread over the largest possible number of people so as to equalize the burden, it is undesirable that the system of industries 'contracting out' of the national scheme should be reestablished."

The opponents of "contracting out" all look upon unemployment as a general risk affecting all industries to a greater or less degree, a risk, therefore, which ought to be insured in one comprehensive scheme.¹³

Agreeing with that view "as limited to sections of industry which have some appreciable risk of unemployment," the committee stated that, as soon as an industry or other unit was shown to be within the scope of compulsory unemployment insurance, there was, therefore, no justification for allowing the industry or unit to derive any advantage from its lower-than-average risk of unemployment. Either contracting out should not be allowed at all or, if permitted, it should be subject to a regular payment sufficient to compensate the general fund completely for any loss due to the withdrawal of the industry or unit. In those conditions the main motive for contracting out disappears. "We see no reason to believe that the rules of the general scheme are not reasonably appropriate over practically the whole area of industry. These rules have been modified in various ways in the past, and we have no doubt that they will continue to be modified as and when good cause for the modification is shown." The committee

⁸ *Unemployment Insurance Act, 1920*, 10 and 11 Geo. 5, c. 30, sec. 18.

⁹ Ministry of Labour, *Report of the Unemployment Insurance Committee*, Vol. II: *Minutes of Evidence* (London, 1927), p. 52.

¹⁰ *Unemployment Insurance (No. 2) Act, 1921*, 11 and 12 Geo. 5, c. 15, sec. 15.

¹¹ Ministry of Labour, *Report of the Unemployment Insurance Committee*, p. 53.

¹² *Ibid.*, pp. 52-55.

¹³ *Ibid.*

concluded: "On the principle which we favour, the special schemes for the insurance industry and the banking industry ought not to be allowed to continue."¹⁴

The Royal Commission, in 1932, went on record as against restoring the power to contract out, saying that, on the basis of the evidence before it, neither employers nor workers were at present in favor of the provision.

The risk of unemployment is too doubtful a contingency on which to assume that an industry can make its own provision outside a general scheme. No industry can escape the effect of a prolonged trade depression and, in some circumstances, a special scheme financed by the industry itself may find it difficult to maintain its independence while continuing to give benefits which are not less favorable than those of a general scheme maintained with the aid of a State subsidy. We therefore find ourselves in agreement with the Blanesburgh Committee that the power to contract out should not be restored.¹⁵

In a volume published in 1931, Sir William Beveridge expressed the opinion that "there is nothing to be gained and there is much to be lost" in allowing separate industries to insure their own unemployment. He suggested, however, that a unified insurance system could be combined with differentiation of contributions by making special levies on industries having excessive unemployment. One method suggested was that of making each individual employer in such industries liable to the fund for all or part of the benefit paid to any workman previously employed by him.¹⁶ Ten years later Sir William expressed his

opposition to special arrangements for any industry:

Unemployment Insurance by industry is a line of development on which progress has ended. For historical reasons banking and insurance today hold a privileged position allowing them the benefit of their specially low rate of unemployment. This privilege is not accorded to any industry included in the general scheme of unemployment insurance, though there are other industries with rates of unemployment well below the average. . . . Retention of this historical privilege by these two special industries can no longer be justified.¹⁷

The principle of offering refunds to individual employers and workers with stable employment records did not have the result sought; it did not induce employers to retain workers they did not need, nor did it induce unemployed workers to refrain from exercising their benefit rights. The principle of excepting certain employments in which tenure is substantially permanent was suspended in 1939 in the war emergency; but the exceptions already granted to workers in government departments, local governmental service, and the railroad industry were allowed to remain. The principle of contracting out is still exercised but only by the insurance and banking industries, whose special schemes for their own members were started in the early 1920's.¹⁸ Competent British authorities now conclude that the interdependence of all industry and the unpredictability of employment are such that no industry or employer should be given a differential contribution rate.¹⁹

¹⁴ *Ibid.*

¹⁵ Royal Commission on Unemployment Insurance, *Final Report* (London, 1932), pp. 176-77.

¹⁶ Sir William Beveridge, *Unemployment: A Problem of Industry* (New York: Longmans, Green & Co., 1931), pp. 410-12.

¹⁷ *Social Insurance and Allied Services*, p. 61.

¹⁸ Amy G. Maher, "Some Experiments with Contribution Rate Differentials in British Unemployment Insurance," *Social Security Bulletin*, VI, No. 12 (December, 1943), 34-40.

¹⁹ Lester and Kidd, *op. cit.*, p. 17.

Other European countries have paid little attention to experience rating.²⁰

EXPERIENCE IN WISCONSIN

In a review of experience rating in Wisconsin, the Program Division of the Bureau of Employment Security of the Social Security Board, stated:

At the beginning of 1942, 11,201 Wisconsin employers were eligible for modified contribution rates under the experience-rating provisions of the State unemployment compensation law. Approximately two-thirds of the rated accounts obtained reduced tax rates, more than one-fourth retained the standard rate of 2.7 percent, and rates above 2.7 were assigned to the remainder.

These assigned rates will produce an estimated state-wide average yield of 1.4 percent of pay rolls, substantially the same percentage as in 1941. Employers' contributions for 1942 have been estimated at \$14.7 million, 48 percent or \$13.7 million less than would have been obtained under a uniform 2.7 percent tax rate. Contributions will nevertheless be considerably greater than benefit expenditures, which were \$2.9 million in 1941 and probably will not exceed \$4.5 million in 1942. On this basis, approximately 32 cents will have been paid in benefits in 1942 for each \$1 of contributions.

The experience of numerous states where modified rates have been assigned since 1940 indicates that factors such as size of pay roll, duration of employer coverage, and the payment of voluntary contributions affect the assignment of reduced rates, but the employer's industry appears to play the most important part. For example, the average rates for construction and mining have been consistently higher than the average rates for ordinary stable industries such as trade and finance, insurance, and real estate. The proportion of Wisconsin employers in the normally stable industries who received reduced rates from 1939 to 1940, thus increasing the difference between the average rates of the stable and the irregular industries. Similar findings have been drawn from the experience of other states. As yet the evidence does not demonstrate an equally clear relationship between size of firm and rate variations. . . .

As in previous years, reduced rates occurred with greatest frequency in the finance, insurance, and real estate, wholesale and retail trade, and service industries. From 65 to 85 percent of the firms in each of these three industry divisions had reduced rates, in contrast to only 24 percent of the construction firms. This distribution of reduced rates among the industry divisions conforms to findings for other states. Except for construction, no more than 12 percent of the employers in the remaining industry divisions received rates above 2.7 percent, and in finance and trade the percentage was less than 3.0. On the other hand, 28 percent of the construction employers received rates in excess of 2.7 percent, as compared with 7 percent of all employers.

The 2.7-percent rate was assigned to 48 percent of the construction employers, but to only 13 percent of the finance, insurance, and real estate employers and to 23 percent of those in the service groups—an indication that the 2.7 percent rate was actually a high rate for employers in the stable industries.

Slightly more than half of the employers in finance, insurance, and real estate were exempt from paying contributions during 1942, in contrast to 5 percent of the construction employers. The wholesale and retail trade group had 29 percent of its employers at the zero rate, and the remaining industry divisions ranged from 21 to 27 percent. At the other extreme, the 4-percent maximum rate was assigned to almost 6 percent of the construction employers but to less than 1 percent of the employers in wholesale and retail trade and finance, insurance, and real estate. . . .

An analysis of the contribution rates assigned to 8,100 Wisconsin employers who were eligible for experience rating in the 3 years, 1940, 1941, and 1942, reveals that the rates of individual employers did not fluctuate sharply over the period, in spite of the fact that the average rate for all employers declined. The percentage of accounts at the minimum rate more than tripled from 1940 through 1942, while those at the 1.0-percent and 2.7-percent rates declined. The numbers at the rates above 2.7 percent remained fairly constant through the 3 years, although the group receiving the 3.2-percent rate declined slightly. This group of identical accounts had a slightly higher percentage of rate reductions in 1942 than did the larger group of 11,200 rated accounts. . . .

A rather large group, 36 percent, received

²⁰ Feldman and Smith, *op. cit.*, p. 12.

a rate of 2.7 percent in 1942 after having had zero or 1.0 percent in 1941. This shift may be attributed to the fact that pay rolls of employers with reduced rates for 1941 were increasing; the combination of rising pay rolls and reduced contributions brought their reserve balances below the point required for assignment of reduced rates.²¹

EXPERIENCE IN OTHER STATES

Experience-rating plans were in operation in thirty-four states during 1942, an increase of twenty-one states over 1940 and seventeen over 1941. Covered employment in the thirty-four states constituted more than half of the total for the United States. Although contributions for 1942 exceeded those for 1941, the estimated 1942 loss in contributions in these thirty-four states due to experience rating was equal to 37 per cent of the amount which the standard rate would have produced, in contrast to 23 per cent in 1941.²² The percentage of employers eligible for rate reduction increased to 65 per cent in 1942, and reduced rates were assigned to 67 per cent of these rated accounts, in contrast to 55 per cent in 1941. Rates above the standard were assigned to only 8.5 per cent of the rated accounts in 1942, as compared to 13.3 per cent in 1941. The data for 1942 indicate that the percentages of employers obtaining reduced rates are consistently largest in the industries normally characterized by stable employment, such as finance, insurance, and real estate; wholesale and retail trade; and the service industries. The

data also indicated that the proportion of rate reductions increased as the average pay roll increased.

The yield from employer contributions for 1942 is estimated at 37 per cent, or \$293 million, less than the income the standard rate would have produced in the thirty-four states with reduced rates. The loss approximated 21 per cent for the country as a whole. The average employer rate in 1942 is estimated to be 1.7 per cent. For the country as a whole it is 2.1 per cent and, with employee contributions, 2.3 per cent.

Employers in finance, insurance, and real estate have had more favorable experience with rate reduction than those in any other industry group. Business operations are inherently stable in this group, and in all states such employers had a higher percentage of reduced rates than those in any other industry division. Insurance carriers had an even better record than the group as a whole, for reduced rates were assigned to 93 per cent of these employers as compared with the industry division average of 83 per cent. Employers in the wholesale and retail trade group received more rated accounts than any other industry division, constituting nearly 50 per cent of the eligible employers in the twenty-four states, and in no state was the percentage of trade employers with reduced rates lower than in all industries combined. This high proportion of reduced rates is a reflection of the stable operations which characterize the trade division. Eighty per cent or more of the eligible employers in the trade division in fourteen states were assigned rate reductions, and the proportion for all thirty-four states ranged from 30 to 98 per cent. Although manufacturing employers made up the major share of total pay rolls in the thirty-four states, they

²¹ Bureau of Employment Security, "Experience-Rating Operations in Wisconsin, 1942," *Social Security Bulletin*, V, No. 12 (December, 1942), 40-41.

²² Data on experience rating operations in 34 states were prepared in the Program Division, Bureau of Employment Security; and the statistics here presented are from an article, "Experience-Rating Operations in 1942," *Social Security Bulletin*, VI, No. 2 (February, 1943), 9-21.

received only 19 per cent of all rated accounts, and the percentage of reduced rates assigned was lower than the average. Reduced rates were obtained by 70 per cent of the eligible transportation employers, and public utilities fared even better. Data from seventeen of the states indicate that the proportion of accounts with reduced rates tended to increase as the size of pay roll increased.

CORRELATION OF EXPERIENCE RATING AND SEVERITY OF DISQUALIFICATIONS

From this analysis of experience-rating operations in thirty-four states, and the analysis of Wisconsin experience, it appears that rate reductions have decreased the yield from employer contributions by 37 per cent in 1942; that the percentage of employers benefiting by this saving is consistently largest in those industries normally characterized by stable employment; and that the proportion of rate reductions in those industries tended to increase as the average industry pay rolls increased. In other words, employers in less stable industries are discriminated against in favor of those in normally stable industries, and the small employers do not fare as favorably as the large employers.

A correlation between experience rating and severity of disqualifications is indicated by the fact that 60 per cent of the states which had experience-rating plans in operation in 1942 had amended their laws between 1937 and 1944 to provide disqualifications for the duration of unemployment or by reduction or cancellation of benefit credits, while only 25 per cent of the other states amended their laws during the same period to provide such severe disqualifications.

An individual employer's rate tends to depend upon the industry in which he

is engaged and the size of his business rather than upon his individual efforts toward employment stabilization. Thus experience rating may be accomplishing one of its primary objectives—that of a more precise distribution of the social costs of production than otherwise would be possible—but apparently it is not accomplishing its other major objective, stabilization of employment. It simply reflects stabilization of employment already extant. Thus the case for experience rating stands or falls on the question of whether it is desirable to prorate the cost of the unemployment insurance among the various industries in accordance with their relative employment stability. In 1942 Sir William Beveridge took the view that industries which have a small risk of unemployment should be required to stand in with all the others; that distinctions within the scheme lead to difficult demarcation problems; that no industry should escape contributing its full share to the unemployment fund; and that “as regards unemployment, all industries should stand together.”²³

The theory has been advanced that experience rating serves a useful purpose in encouraging employers to promptly report separations which involve possibly disqualifying circumstances.²⁴ What, however, is to prevent employers, under the incentive of reduced rates, from abusing the system by reporting “layoffs” as “discharge for misconduct” and by similar devices? Paul H. Douglas believes that under experience rating “there will be a natural

²³ *Social Insurance and Allied Services*, p. 63.

²⁴ Lester and Kidd, *op. cit.*, pp. 50 and 53. During 1943 employers filed 75,860 notices of separation with the Florida Industrial Commission, although only 17,284 initial claims for benefits were filed by workers; and 4,370 disqualifications were imposed.

tendency on their part to allege that men who have been in reality laid off for lack of work were instead discharged for inefficiency or insubordination."²⁵ The workers must be protected against any possible deliberate victimization, and experience rating may only add to the work of administrative authorities in determining whether to apply disqualifications in specific cases.²⁶

EFFECT ON DURATION AND AMOUNT OF BENEFITS

With few exceptions the compensation funds of the states have been steadily increasing during the last four years.²⁷ Large reserves have been accumulated in some states by keeping weekly benefit amounts too small and the period for which those benefits were received too short, as judged by sound insurance principles.²⁸ It is now evident that the states with provisions for variable duration did not provide benefits during as many weeks of claimant's unemployment as did states with uniform duration.²⁹ It is of particular significance that the proportion of all claimants who exhausted their benefit rights was markedly lower in two states—North Carolina and West Virginia—which provided uniform duration of fourteen to sixteen weeks than in those where duration was variable. It is also of interest that a smaller proportion of claimants entitled

to larger weekly benefit amounts tended to exhaust their credits than did those with smaller weekly benefit amounts.³⁰

Naturally, the duration and amount of benefit payments under an unemployment compensation system based on a pay-roll tax must be limited if the system is to remain solvent. But original calculations underestimated the yield to be derived from a 2.7 per cent tax on pay rolls, and the benefit formulas incorporated in the original state laws do not represent what were considered to be adequate unemployment compensation benefits to covered eligible workers, either in duration or in weekly benefit amount, but represent benefits which it was estimated a 2.7 per cent tax could carry.³¹ In an effort to assure solvency of the state funds, much too large a safety factor was used in the benefit formulas. As a result, the benefit formulas devised were exceedingly conservative. If this early conservatism were to result in the freezing of these benefit formulas and the accumulated surplus funds were now used as an argument for tax reduction rather than as justification for liberalization of benefit payments, the very purpose of the unemployment compensation would be partly nullified. A. J. Altmeyer, as chairman of the Social Security Board, suggested that in states in which the funds are available, the benefit rate might well be increased to 66 $\frac{2}{3}$ per cent of the claimant's full-time earnings, with a maximum weekly benefit rate of at least \$20.³²

Strong sentiment for reduction in unemployment taxes has developed be-

²⁵ *Op. cit.*, p. 64.

²⁶ *Ibid.*

²⁷ Social Security Board, *Social Security Bulletin*, January, 1939, p. 28; January, 1941, p. 36; January, 1942, p. 68; December, 1942, p. 59.

²⁸ Social Security Board, "Duration of Benefit Payments," *Social Security Bulletin*, IV, No. 1 (January, 1941), 40-43.

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ A. J. Altmeyer, "Liberalizing Unemployment Compensation," *Social Security Bulletin*, III, No. 1 (January, 1940), 3.

³² *Ibid.*

cause of the increasing accumulation of reserves in the state funds, and now the tendency apparently is to give the employers the benefit of the original miscalculation of the yield to be derived from the standard rate by reducing their rates instead of increasing the amount and duration of benefits to the point that they fulfil the program's purpose of safeguarding workers against actual distress for a reasonable period of time after they become unemployed.³³ Disqualifications for unusually long periods or for the entire duration of certain periods of unemployment, and reductions or cancellations of benefit credits, are other methods whereby employers are endeavoring to reduce the amount of benefits paid in order to reduce their contribution rates.³⁴ The fact, however, that a smaller percentage of claimants exhausted their benefit rights in states providing uniform duration, and the fact that a smaller proportion of claimants entitled to high weekly benefit amounts exhausted their credits than did those in

the lower brackets, tends to indicate that any ultimate saving to employers realized by long disqualification periods and reduction in benefit credits will be small and that the principal effect of such severe disqualifications is to be found in their impact upon the individual workers.³⁵ A study of exhaustion of benefit rights in forty-six states during 1939 disclosed that in states providing uniform duration of sixteen weeks of benefits the exhaustion rates were comparatively low and that only thirty states showed an exhaustion rate of 25 per cent or more.³⁶ A study of duration of benefits for claimants whose benefit years ended during 1940 in eight states providing uniform duration of benefits disclosed that the average actual duration of benefits paid ranged from nine to thirteen weeks—in each instance the average actual duration being under the potential duration provided by law.³⁷

³³ Social Security Board, "Duration of Benefit Payments," *Social Security Bulletin*, IV, No. 1 (January, 1941), 40-43.

³⁶ Social Security Board, *Social Security Year Book, 1939* (Washington, 1940), pp. 123-24.

³⁷ Bureau of Employment Security, "Duration of Unemployment Benefit Payments in 27 States," *Social Security Bulletin*, V, No. 3 (March, 1942), 5-13; "Duration of Benefit Payments," *ibid.*, IV, No. 1, 40-43.

³³ Social Security Board, "Duration of Benefit Payments," *Social Security Bulletin*, IV, No. 1 (January, 1941), 40-43.

³⁴ Social Security Board, *Social Security Bulletin*, April, 1941, p. 81; May, 1941, p. 60; June, 1941, pp. 49 f.; July, 1941, p. 48; August, 1941, p. 60; December, 1941, p. 66.

A P P E N D I X

TABLE 1

NUMBER AND PERCENTAGE OF PERSONS ATTACHED TO
NONAGRICULTURAL INDUSTRY UNEMPLOYED,
BY YEAR, 1920-27

(000 Omitted)

Year	No. Attached	No. Unemployed	Percentage Unemployed
1920..	27,558	1,401	5.1
1921..	27,989	4,270	15.3
1922..	28,505	3,441	12.7
1923..	29,293	1,532	5.0
1924..	30,234	2,315	7.7
1925..	30,941	1,775	5.7
1926..	31,808	1,669	5.3
1927..	32,695	2,055	6.3

TABLE 2

FREQUENCY OF EACH TYPE OF DISQUALIFICATION
IN EARLY LAWS COMPARED WITH CURRENT LAWS

Type of Disqualification	No. of Law Provisions of Each Type	
	1937	1943
Fixed or flexible period only: 5-week maximum	96	42
Fixed or flexible period only: 6 to 16-week maximum . . .	32	29
Fixed or flexible period, not over 16 weeks, with such weeks charged as if paid or other mandatory reduction	8	40
Fixed or flexible period, not over 9 weeks, with dis- cretionary reduction of benefits	4	8
Duration of unemployment or indefinite duration . . .	7	25
All wage credits canceled, or no benefits payable from wage credits in last em- ployment	4	8

TABLE 3

COMPARISON OF DISQUALIFICATIONS PROVIDED IN EARLY STATE LAWS
WITH THOSE IN CURRENT STATE LAWS

State	Discharge for Misconduct		Voluntary Leaving		Refusal of Suitable Work	
	Dec. '37	Dec. '43	Dec. '37	Dec. '43	Dec. '37	Dec. '43
*Alabama	3-6	3-6 ^a	3	dur. ^{b, f}	3	dur. ^{b, g}
Alaska	1-5	1-5	1-5	1-5	1-5	1-5
*Arizona	1-5	4 ^a	1-5	4 ^a	1-5	1-5
*Arkansas	1-5	1-5	1-5	1-5	1-5 ^b	1-5 ^b
*California	4	1-5	4	1	dur.	dur. ^a
*Colorado	1-9	3-15 ^a	1-5	3-15 ^a	1-5	3-15 ^a
*Connecticut	2	4	2 ^a	4	2 ^a	4
*Delaware	1-5	dur. ^b	1-5	dur. ^b	dur. ^b	dur. ^b
District of Columbia	1-6	1-4	3	3	3	3
*Florida	1-7	dur. ^{b, g}	1-7	dur. ^{b, g}	1-5	dur. ^{b, g}
*Georgia	1-5	3-10 ^a	1-5	2-8 ^a	1-5	2-8 ^a
*Hawaii	2-6	2-7 ^b	2-6	2-7 ^b	Indef.	2-7
Idaho	1-5	dur.	1-5	dur.	1-5	1-5 ^a
Illinois	1-5	3-7	1-5	3-7	1-5	3-7
*Indiana	3	3 ^a	3	3	3	3 ^a
*Iowa	1-9	2-9 ^a	1-5	dur.	1-5	dur. ^b
*Kansas	1-9	1-9	1-5	1-9	1-5	1-9
*Kentucky	2-9	2-16 ^a	2-9	2-16 ^a	2-9	2-16 ^a
Louisiana	1-9	1-6	1-5	1-6	1-5	1-6
Maine	1-9	1-9 ^a	1-5	1-5 ^a	1-5	1-5 ^a
Maryland	1-9	1-9 ^c	1-5	1-9 ^c	1-5	1-9 ^c
*Massachusetts	4 ^c	dur. ^b	4 ^c	dur. ^b	4 ^c	1-4 ^c
*Michigan	3-9	dur. ^b	3-9	dur. ^b	1-5	3-5 ^a
*Minnesota	1-9 ^b	3 ^f	1-5	3 ^f	1-5	dur. ^{b, g}
Mississippi	dur.	1-7	1-5	1-5	1-5	1-5
*Missouri	1-8 ^a	1-8 ^a	1-4 ^a	1-4 ^a	dur. ^d	4-8 ^a
Montana	1-9	1-9	1-5	1-5	1-5	1-5
*Nebraska	1-5	1-5 ^(or d)	1-5	1-5	1-5	dur. ^d
Nevada	1-5	1-15	1-5	1-15	1-5	1-15
*New Hampshire	3	3 ^a	3	dur. ^{b, g}	3	3
*New Jersey	3	3	3	3	3	3
*New Mexico	1-9	1-13 ^a	1-5	1-13 ^a	1-5	1-13 ^a
New York	7	7	None	6	dur. ^b	dur. ^b
North Carolina	1-9 ^a	5-12 ^a	1-5	4-12 ^a	1-5	4-12
*North Dakota	1-5	1-10	1-5	1-7	1-5 ^b	1-7
*Ohio	3	3 ^a	3 ^a	3 ^a	dur.	dur. ^b
*Oklahoma	1-9	3	1-5	2	1(min.)	2
*Oregon	2-5	2-5	2	2	4	4
Pennsylvania	None	None	1	dur. ^b	1	dur. ^b
Rhode Island	1-10	1-10	3	3	1-3 ^c	1-3 ^c
*South Carolina	1-9	1-9 ^c	1-5	1-5 ^c	1-5	1-5 ^c
*South Dakota	1-9	See Note ^e	1-5	See Note ^e	1-5	dur. ^b
Tennessee	1-9	1-9	1-5	1-5	1-5	1-5
*Texas	1-9	2-16 ^a	3	2-16 ^a	1-5	2-8 ^a
Utah	1-9	1-9	1-5	1-5	1-5	1-5
*Vermont	6	1(min.)	3	1-9	6	6
*Virginia	1-9	1-9	1-5	1-5	1-5	1-5
Washington	2-5	2-5	2	2-5	1-5	1-5
*West Virginia	1-9	6 ^a	1-5	6 ^a	1-5	4 ^a
*Wisconsin	3	3 ^e	4 ^e	4 ^e	dur. ^d	dur. ^d
*Wyoming	1-5	1-5	1-5	1-5 ^a	1-5	1-5

Note.—Figures indicate weeks of disqualification but do not include the week in which the disqualifying act occurred, which is generally also part of the period of disqualification. Duration of unemployment is indicated by "dur." Small letters following figures refer to footnotes.

*The 34 states in which experience-rating plans were in operation during 1942.

^aWeeks disqualified charged as if paid, or maximum benefits reduced by each such week.

^bDisqualified for duration of succeeding period of unemployment.

^cAlso, duration of benefits may be reduced, not to exceed number of weeks disqualified.

^dAll benefit rights based on past employment canceled.

^eBenefit rights based on last employment are barred.

^fAnd also wage credits from last employer canceled.

^gAnd also until earns specified amount.

TABLE 4

RATIO OF DISQUALIFICATIONS TO ELIGIBLE CLAIMS AND RATIO OF APPEALS TO BOTH
DISQUALIFICATIONS AND INITIAL CLAIMS IN FLORIDA

Year	Initial Claims		Disqualifications		Initial Appeals			
	No. Filed	No. Determined Valida	No. Imposed	Per Cent of Valid Claims	No. Filed	Per Cent of Initial Claims	Per Cent of Disqua- lifications	Principal Issues Involved In Appeals
1939....	113,178	74,956	1,704	2.27	328	0.29	19.25	40% wage conflicts 60% disqualifications ^b
1940....	107,462	60,627	3,806	6.28	611	0.57	16.05	60% wage conflicts 40% disqualifications ^b
1941....	111,024	66,553	6,321	9.50	547	0.49	8.65	35% wage conflicts 65% disqualifications ^b
1942....	78,760	58,470	7,591	12.99	559	0.71	7.36	24% wage conflicts 76% disqualifications ^b
1943....	17,284	14,052	4,370	31.09	473	2.16	10.82	3% wage conflicts 97% disqualifications ^b

^aA claim is deemed to be a "valid claim" if the individual has been paid wages for insured work during his base period equal to not less than a qualifying amount determined by a table in the law.

^bAs used in this table, disqualifications include ineligibility because of inability to work or unavailability for work.

TABLE 5

PERCENTAGE SUMMARY OF APPEALS STATISTICS *

	1938	First Quarter 1939	Last Half 1941
No. of decisions by lower appeals bodies.....	14,620	5,756	31,607
Per cent filed by workers.....	96.0	93.9	90.0
Per cent filed by employers....	4.0	5.7	8.0
Per cent involving wage credits, coverage, and related issues..	68.8	55.4	24.5
Per cent involving misconduct..	7.1	7.7	6.2
Per cent involving voluntary quit.....	7.2	18.6	21.7
Per cent involving refusal of work.....	1.0	1.6	7.6
Per cent involving availability	1.8	4.6	22.5
Worker appeals successful.....	74.3	59.0	46.0
In wage credit, etc., cases..		75.0	75.0
In all other cases.....	47.5	40.0	
In misconduct cases.....	65.0	50.0	65.0
In voluntary quit cases.....		35.0	39.0
Employer appeals successful....	28.2	45.0	42.0
Deputies' determinations affirmed by lower appeals bodies.....	27.5	42.0	52.5
Decisions of lower appeals bodies upheld by higher authorities....	76.0	64.0	73.0
Employer appeals to higher appeals bodies successful.....	12.0	18.0	27.0
Per cent of decisions by higher appeals authorities to decisions by lower appeal bodies.....	8.7	9.0	9.0

*Figures taken from Social Security Bulletin, issues of June, 1938; February, 1939; July, 1939; and November, 1942.

TABLE 6

NUMBER OF ELIGIBLE CLAIMS FILED AND NUMBER OF
DISQUALIFICATIONS IMPOSED IN SEVENTEEN STATES
DURING 1940

State	No. of Eligible Claims Filed	No. of Disqualifications Imposed	Per Cent
Alabama.....	82,373	4,820	5.9
Colorado.....	38,777	2,642	6.8
Connecticut.....	93,035	8,229	8.8
District of Columbia...	28,977	6,890 ^a	23.8
Florida.....	60,627	3,806	6.3
Kansas.....	35,496	2,005	5.8
Maine.....	71,503	1,686	2.4
Mississippi.....	67,116	3,867	5.8
Montana.....	24,010	421	1.8
Nebraska.....	20,037	1,643	8.2
New Mexico.....	13,379	956	7.1
Ohio.....	260,136	31,718	12.2
Oregon.....	67,259	5,568	8.3
Tennessee.....	122,333	10,576	8.6
Washington.....	92,706	5,331	5.8
Wisconsin.....	129,441	7,199	5.6
Territory of Hawaii....	6,066	413	6.8
Total.....	1,213,271	97,770	8.1

^aOf these 6,890 disqualifications, 1,104 were rescinded.

TABLE 7

NUMBER OF ELIGIBLE CLAIMS FILED AND NUMBER OF
DISQUALIFICATIONS IMPOSED IN TWENTY-TWO STATES
DURING 1941

State	No. of Eligible Claims Filed	No. of Disqualifications Imposed	Per Cent
Alabama.....	70,511	19,058	27.0
California.....	355,170	52,043	14.7
Colorado.....	25,767	5,254	20.4
Connecticut.....	60,375	8,005	13.3
District of Columbia...	16,767	8,170 ^a	48.7
Florida.....	66,553	6,321	9.5
Iowa.....	67,472	8,865	13.1
Kansas.....	30,616	2,836	9.3
Maine.....	34,496	2,935	8.5
Minnesota.....	26,152	1,870	7.2
Mississippi.....	43,268	4,026	9.3
Montana.....	21,485	1,865	8.7
Nebraska.....	16,402	1,562	9.5
New Mexico.....	9,667	1,066	11.0
New York.....	732,655	27,535	3.8
Ohio.....	154,727	31,098	20.1
Oregon.....	37,272	9,612	25.8
Tennessee.....	97,246	24,084	24.8
Utah.....	14,619	2,267	15.5
Washington.....	68,526	16,720	24.4
Wisconsin.....	82,633	7,056	8.5
Territory of Hawaii....	3,776	636	16.8
Total.....	2,036,155	242,884	11.9

^aOf these 8,170 disqualifications, 1,493 were rescinded.

TABLE 8

NUMBER OF ELIGIBLE CLAIMS FILED AND NUMBER OF
DISQUALIFICATIONS IMPOSED IN TWENTY-FOUR STATES
DURING 1942

State	No. of Eligible Claims Filed	No. of Disqualifications Imposed	Per Cent
Alabama.....	66,781	11,782	17.6
California.....	259,674	47,520	18.3
Colorado.....	14,780	4,153	28.1
Connecticut.....	63,090	10,271	16.3
District of Columbia...	9,266	6,170 ^a	66.6
Florida.....	58,470	7,591	13.0
Iowa.....	51,563	5,398	10.5
Kansas.....	23,421	3,015	12.9
Maine.....	23,205	1,611	6.9
Minnesota.....	53,591	5,706	10.6
Mississippi.....	32,791	4,689	14.3
Montana.....	11,001	1,048	9.5
Nebraska.....	11,618	1,085	9.3
New Mexico.....	7,289	556	7.6
New York.....	622,490	55,056	8.8
North Dakota.....	3,227	336	10.4
Ohio.....	146,683	24,146	16.5
Oregon.....	36,048	4,975	13.8
South Dakota.....	3,619	221	6.2
Tennessee.....	92,610	20,731	22.4
Utah.....	15,635	2,762	17.7
Washington.....	36,902	2,383	6.5
Wisconsin.....	90,122	7,557	8.3
Territory of Hawaii....	2,491	291	11.7
Total.....	1,736,367	229,053	13.2

^aOf these 6,170 disqualifications, 950 were rescinded.

^bData for benefit year ending July 4, 1942.

TABLE 9

NUMBER OF ELIGIBLE CLAIMS FILED AND NUMBER OF
DISQUALIFICATIONS IMPOSED IN TWENTY-SIX STATES
FIRST SIX MONTHS OF 1943^a

State	No. of Eligible Claims Filed	No. of Disqualifications Imposed	Per Cent
Alabama.....	18,739	5,847	31.2
California.....	46,522	15,484	33.3
Colorado.....	2,456	750	30.5
Connecticut.....	9,528	2,232	23.4
District of Columbia...	2,157	863	40.1
Florida.....	8,027	2,727	34.0
Iowa.....	10,296	1,277	12.4
Kansas.....	6,303	1,133	18.0
Maine.....	4,752	290	6.1
Minnesota.....	14,286	2,130	14.9
Mississippi.....	5,860	1,585	27.0
Montana.....	1,595	282	17.7
Nebraska.....	2,766	191	6.9
New Hampshire ^a	4,519	1,336	29.5
New Mexico.....	472	38	8.1
New York.....	120,145	24,502	20.4
North Dakota.....	242	70	28.9
Ohio.....	15,368	3,257	21.2
Oregon.....	7,338	1,272	17.3
South Dakota.....	519	76	14.6
Tennessee.....	22,188	7,863	35.4
Utah.....	2,499	938	37.5
Washington.....	9,524	3,194	33.5
West Virginia ^c	13,365	2,032	15.2
Wisconsin.....	17,152	2,455	14.3
Territory of Hawaii....	569	76	13.4
Total.....	347,187	81,900	23.6

^aData submitted by New Hampshire, Utah, and West Virginia cover periods as shown in nn. a, b, and c.

^aData for period March 1 to November 1, 1943.

^bData for benefit year ending July 3, 1943.

^cData for period April 1 to December 1, 1943.

TABLE 10
DISPOSITION OF APPEALS FROM EXAMINERS' DETERMINATIONS
IN FLORIDA, 1940-43, INCLUSIVE

Year	Appeals Dismissed or Withdrawn		Determinations Affirmed		Determinations Modified		Determinations Reversed	
	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent
1940...	82	17.0	198	41.0	37	8.0	164	34.0
1941...	178	30.0	172	29.2	85	14.2	158	26.6
1942...	223	37.0	145	24.0	52	9.0	181	30.0
1943...	102	23.0	172	38.6	52	11.6	119	26.8

TABLE 11
DISTRIBUTION OF DISQUALIFICATIONS AND BENEFIT PAYMENTS
IN FLORIDA BY INDUSTRIAL DIVISION, 1940

Industrial Division	Disqualifications ^a		All Benefit Payments ^b	
	No.	Per Cent	No.	Per Cent
Agriculture.....	4	0.19	5,774	0.89
Mining.....	20	0.96	7,718	1.19
Construction.....	55	2.63	41,475	6.42
Manufacturing.....	672	32.14	227,064	35.12
Transportation.....	131	6.26	60,593	9.37
Wholesale and retail....	800	38.26	235,925	36.49
Finance, insurance, etc.	55	2.63	8,214	1.27
Service.....	353	16.88	58,351	9.03
Other.....	1	0.05	1,400	0.22
Total.....	2,091	100.00	646,514	100.00

^aDisqualifications for voluntary quitting and for discharge for misconduct. Of the 2,320 disqualifications imposed for these reasons, only 2,091 were tabulated, as files on the other 229 were not available.

^bAll benefit payments includes payments made for both total and partial unemployment. See Fifth Annual Report of the Florida Industrial Commission, 1940, Table 5, p. 80.

TABLE 12
DISTRIBUTION OF DISQUALIFICATIONS AND BENEFIT PAYMENTS
IN FLORIDA BY INDUSTRIAL DIVISION, 1942

Industrial Division	Disqualifications ^a		All Benefit Payments	
	No.	Per Cent	No.	Per Cent
Agriculture.....	8	0.2	1,926	0.4
Mining.....	46	1.3	5,579	1.2
Construction.....	325	8.8	92,131	20.2
Manufacturing.....	1,115	30.3	138,455	30.3
Transportation.....	253	6.9	32,416	7.1
Wholesale and retail....	1,198	32.7	112,499	24.6
Finance, insurance, etc.	101	2.7	9,372	2.1
Service.....	630	17.1	64,510	14.1
N. E. C.....			176	c
Total.....	3,677 ^b	100.0	457,064	100.0

^aDisqualifications for voluntary quitting and for discharge for misconduct.

^b105 claims were not available for classification.

^cLess than half of a tenth of a per cent.

TABLE 13

DISQUALIFICATION OF CLAIMANTS BY REASON
FOR DISQUALIFICATION, IN FLORIDA

Reason for Disqualification	1940 ^a		1941		1942	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Voluntary leaving work	1,223	32.1	2,264	35.8	2,838	37.4
Discharge, misconduct..	1,097	28.8	1,232	19.5	944	12.4
Refusal, suitable work	178	4.7	715	11.3	2,040	26.9
Labor dispute.....	572	15.0	570	9.0	101	1.4
Not available for work	390	10.3	1,230	19.5	1,483	19.5
Other.....	346	9.1	310	4.9	185	2.4
Total.....	3,806	100.0	6,321	100.0	7,591	100.0
Total valid claims filed.....	60,627	.....	66,553	.....	58,470	.....

^aThe data for 1940 were compiled from claims and reconsiderations disposed registered. During that year there were some disqualifications levied for nonavailability and refusal of work which are not included in these figures, as sometimes registers were not run in 1940 when only one or two redeterminations were made in a period of several days. All disqualifications for nonavailability and refusal of work are included in the 1941 and 1942 data.

TABLE 14

DISQUALIFICATION OF CLAIMANTS BY REASON
FOR DISQUALIFICATION, IN FLORIDA

Reason for Disqualification	1941		1942		First Six Months 1943	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Voluntary leaving work	2,264	35.8	2,838	37.4	571	20.9
Discharge, misconduct	1,232	19.5	944	12.4	170	6.2
Refusal, suitable work	715	11.3	2,040	26.9	660	24.2
Labor dispute.....	570	9.0	101	1.4	375	13.8
Not available for work	1,230	16.5	1,483	19.5	918	33.7
Other.....	310	4.9	185	2.4	33	1.2
Total.....	6,321	100.0	7,591	100.0	2,727	100.0
Total valid claims filed.....	66,553	.....	58,470	.....	9,556	.....

TABLE 15

DISQUALIFICATION OF CLAIMANTS BY REASON
FOR DISQUALIFICATION IN FOURTEEN STATES,^a
1940

State	Total Disquali- fications	Per Cent of Total Disqualifications for:						
		Voluntarily Leaving Work	Discharge for Misconduct	Refusal of Suitable Work	Labor Dispute	Not Available for Work	Other	
Alabama.....	4,820	51.8	23.0	2.5	1.6	1.1	20.0	
Colorado.....	2,642	50.8	11.9	11.8	....	25.5	....	
Connecticut...	3,229	43.2	4.9	a	14.8	22.9	14.2	
Florida.....	2,806	32.1	28.8	4.7	15.0	10.3	9.1	
Kansas.....	2,005	46.0	21.5	1.4	0.7	14.7	15.7	
Maine.....	1,686	33.1	30.3	14.1	2.5	....	....	
Mississippi...	3,867	43.1	29.1	26.9	0.2	....	0.7	
Montana.....	421	61.8	6.2	2.0	0.0	0.0	30.0	
Nebraska.....	1,643	27.3	20.9	2.1	6.3	0.0	33.4	
New Mexico....	956	80.5	17.5	1.7	0.0	0.3	0.0	
Ohio.....	31,718	72.9	27.1	....	....	....	....	
Oregon.....	5,568	21.5	2.2	5.4	50.0	14.7	6.2	
Tennessee....	10,576	26.9	26.4	2.4	0.9	33.3	10.1	
Wisconsin.....	7,199	34.7	19.9	2.1	2.7	10.6	30.0	
Total.....	85,136	51.0	21.7	3.2	6.0	9.9	8.2	

Note.—Leaders (.....) are used in columns 5, 6, 7, and 8 ("Refusal of Suitable Work," "Labor Dispute," "Not Available for Work," and "Other") in those instances where the states reported no data for these columns. When the state reported 0, the figure "0" is used.

Variations between state laws probably account for some states leaving certain items blank—in some of these cases the item might not be "applicable" or it may be already included under another "reason." This will, of course, have to be taken into account when analyzing or comparing these data in detail.

^aIncluded in "Not Available for Work" in Connecticut.

TABLE 16

DISQUALIFICATION OF CLAIMANTS BY REASON
FOR DISQUALIFICATION IN EIGHTEEN STATES, 1941

State	Total Disquali- fications	Per Cent of Total Disqualifications for:					
		Voluntarily Leaving Work	Discharge for Misconduct	Refusal of Suitable Work	Labor Dispute	Not Available for Work	Other
Alabama.....	19,058	23.1	6.6	1.7	56.3	9.2	3.1
California....	52,043	22.8	2.8	20.0	26.2	26.4	0.8
Colorado.....	3,254	66.3	7.7	6.0	.....	20.0	.....
Connecticut..	8,005	46.0	3.3	8.1	18.1	24.8	7.8
Florida.....	6,321	35.8	19.5	11.3	9.0	19.5	4.9
Iowa.....	8,865	39.1	11.0	0.8	33.0	2.4	13.7
Kansas.....	2,836	49.4	12.7	2.7	0.3	29.2	2.7
Maine.....	2,935	42.7	16.9	10.5	29.9	.....	.....
Minnesota ^a ..	1,870	55.5	15.1	4.1	5.7	.....	19.6
Mississippi..	4,026	49.4	27.1	19.9	2.4	.....	1.2
Montana.....	1,865	69.8	4.5	1.6	1.3	0.3	22.5
Nebraska.....	1,562	42.8	16.7	4.2	3.3	0.0	33.0
New Mexico...	1,066	81.1	15.1	1.8	1.9	0.1	0.0
Ohio.....	31,098	77.6	22.4	.....	.....	.....	.....
Oregon.....	9,612	17.3	2.4	2.7	42.9	25.8	8.9
Tennessee....	24,084	17.6	10.9	2.6	32.5	29.3	7.1
Wisconsin....	7,056	21.5	32.5	2.9	3.2	5.7	34.2
Territory of Hawaii.....	636	77.0	13.7	3.1	0.0	3.1	3.1
Total....	188,192	37.3	10.9	7.6	22.7	16.4	5.1

Note.—Leaders (.....) are used in columns 5, 6, 7, and 8 ("Refusal of Suitable Work," "Labor Dispute," "Not Available for Work," and "Other") in those instances where the states reported no data for these columns. When the state reported 0, the figure "0" is used.

Variations between state laws probably account for some states leaving certain items blank in some of these cases the item may not be "applicable" or it may be already included under another reason. This will, of course, have to be taken into account when analyzing or comparing these data in detail.

^aIncluded in "Not Available for Work" in Connecticut.

^bData for last six months only of 1941 from Minnesota.

TABLE 17

DISQUALIFICATION OF CLAIMANTS BY REASON
FOR DISQUALIFICATION IN TWENTY STATES, 1942

State	Total Disquali- fications	Per Cent of Total Disqualifications for:					
		Voluntarily Leaving Work	Discharge for Misconduct	Refusal of Suitable Work	Labor Dispute	Not Available for Work	Other
Alabama.....	11,782	37.0	9.7	10.3	0.2	42.0	0.8
California....	47,520	22.0	1.8	26.3	3.5	45.8	0.6
Colorado.....	4,153	60.9	6.0	17.5	.....	15.6	.....
Connecticut..	10,271	53.3	3.0	8	1.3	41.1	1.3
Florida.....	7,591	37.4	12.4	26.9	1.4	19.5	2.4
Iowa.....	5,398	55.8	12.2	0.3	1.0	3.9	26.8
Kansas.....	3,015	51.0	13.7	5.0	.....	30.3	.....
Maine.....	1,611	58.1	21.4	19.2	1.3	.....	.....
Minnesota....	5,706	56.4	12.8	9.2	9.6	.....	12.0
Mississippi..	4,689	36.2	18.9	43.3	0.7	.....	0.9
Montana.....	1,048	65.8	5.8	12.6	0.7	1.4	14.1
Nebraska.....	1,085	40.2	15.5	9.6	0.4	0.0	34.3
New Mexico...	556	69.7	15.5	14.6	0.0	0.2	0.0
North Dakota.	336	54.8	8.3	28.6	0.0	0.6	7.7
Ohio.....	24,146	76.8	23.2	.....	.....	.....	.....
Oregon.....	4,375	22.7	2.4	5.7	34.4	28.7	.....
Tennessee....	20,731	19.7	11.8	3.7	3.6	50.8	10.4
Utah.....	2,762	33.2	5.5	4.7	11.1	16.9	22.8
Wisconsin....	7,557	33.2	13.3	4.8	1.9	9.2	37.6
Territory of Hawaii.....	291	77.7	6.5	6.2	0.0	2.1	7.5
Total....	165,223	39.6	9.8	13.0	3.3	28.6	5.7

Note.—Leaders (.....) are used in columns 5, 6, 7, and 8 ("Refusal of Suitable Work," "Labor Dispute," "Not Available for Work," and "Other") in those instances where the states reported no data for these columns. When the state reported 0, the figure "0" is used.

^aIncluded in "Not Available for Work" in Connecticut.

^bData for benefit year ending July 4, 1942, from Utah.

^cLess than half of a tenth of a per cent.

TABLE 18

DISQUALIFICATION OF CLAIMANTS BY REASON
FOR DISQUALIFICATION IN TWENTY-FIVE STATES

(First Six Months of 1943)

State	Total Disquali- fications	Per Cent of Total Disqualifications for:				
		Voluntarily Leaving Work	Discharge for Misconduct	Refusal of Suitable Work	Labor Dispute	Not Available for Work
Alabama.....	5,847	18.8	3.0	14.2	0.0	63.8
Arizona.....	146	64.4	3.4	4.8	0.0	17.1
California.....	15,484	7.0	0.6	25.4	0.8	65.0
Colorado.....	750	60.9	6.0	17.5	.....	15.6
Connecticut....	2,232	53.3	3.0	6	.....	41.1
Florida.....	2,727	20.9	6.2	24.2	13.8	33.7
Iowa.....	1,277	47.6	7.8	1.5	0.1	6.4
Kansas.....	1,133	30.4	9.0	13.9	0.0	46.7
Maine.....	290	47.2	17.6	35.2	.....	.....
Minnesota.....	2,130	49.1	10.2	32.4	0.1	8.2
Mississippi....	1,585	14.7	6.6	77.8	0.2	0.7
Montana.....	1,282	19.5	3.9	25.2	0.0	51.4
Nebraska.....	191	47.1	7.9	16.7	0.0	28.3
New Hampshire..	1,336	49.8	4.4	21.9	0.4	23.2
New Mexico.....	395	39.5	5.3	55.2	0.0	0.0
New York.....	24,502	15.4	4.3	27.8	0.4	50.0
North Dakota...	70	12.8	4.3	35.7	0.0	28.0
Ohio.....	3,257	18.8	21.3	.....	.....	18.6
Oregon.....	1,272	10.0	0.8	15.6	.....	25.2
South Dakota...	76	70.9	11.0	14.0	1.0	58.4
Tennessee.....	7,863	11.3	7.1	14.1	0.2	59.0
Utah.....	2,958	12.3	8.0	10.0	2.3	17.7
West Virginia ^a	2,032	32.1	8.0	10.2	3.6	13.3
Wisconsin.....	2,455	26.5	12.3	22.2	0.0	36.3
Territory of Hawaii.....	76	40.8	5.3	31.6	0.0	7.7
Total.....	77,989	20.7	4.1	20.9	0.9	46.7
						6.7

^aData for second quarter, 1943, only.^bIncluded in "Not Available for Work."^cData for period March 1-October 30, 1943.^dData for Benefit Year ending July 3, 1943.^eData for period April 1-November 30, 1943.

TABLE 19

SEVERITY OF DISQUALIFICATIONS IN FLORIDA
DURING 1940

Weeks of Disqualification ^a	Voluntary Quitting		Discharge for Misconduct		Refusal of Suitable Work	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
1.....	7	0.6	6	0.6	2	1.1
2.....	39	3.6	61	6.1	7	3.8
3.....	96	8.8	128	12.9	16	8.6
4.....	100	9.1	98	9.9	15	8.1
5.....	258	23.5	248	25.0	113	60.7
6.....	95	8.6	65	6.5	.....	.....
7.....	453	41.3	227	22.8	.....	.....
Total	1,097	100.0	994	100.0	186 ^c	100.0
Reduction in benefit credit ^b	49	4.5	161	16.2	33	17.7

^aEach claimant was disqualified for the week of his separation from work or of his refusal of suitable work, and for additional weeks as indicated in this table.^bMost of the disqualifications by reduction in benefit credits were accompanied by suspension of benefits for the maximum period of weeks. See Table 20 for more complete breakdown on money disqualifications in 1940.^cThe total number of disqualifications for refusing suitable work is greater than the corresponding figures in Table 13 because several claimants who were disqualified for voluntary quitting or discharge for misconduct were later disqualified for refusing suitable work.

TABLE 20
SEVERITY OF DISQUALIFICATIONS IN TEN STATES DURING 1940

State	Per Cent Disqualified for:									
	Voluntarily Leaving Work				Discharge for Misconduct ^a				Refusal of Suitable Work ^b	
	1-3 Weeks	4-5 Weeks	6-7 Weeks	Over 7 Weeks	1-3 Weeks	4-5 Weeks	6-7 Weeks	Over 7 Weeks	1-3 Weeks	4-5 Weeks or Over 5 Weeks or Reduction in Credits
Alabama.....	100.0	....	....	....	45.2	29.5	25.3	....	100.0	....
Arizona.....	....	100.0	....	....	....	100.0	....	....	x	x
Florida.....	13.0	32.6	54.4	....	19.6	34.9	45.5	....	13.5	68.8
Kansas.....	58.3	32.3	8.6	0.8	62.2	27.6	8.8	1.4	78.6	17.8
Montana.....	52.0	46.9	1.1	....	57.7	30.8	7.7	3.8	50.0	40.0
Nebraska.....	12.2	87.8	....	....	33.3	53.3	....	13.4	....	....
New Mexico....	0.3	99.3	....	0.4	0.6	29.9	1.8	67.7	18.7	62.5
Ohio.....	100.0	....	....	....	100.0	....	....	....	x	x
Oregon.....	100.0	....	....	....	x	x	x	x	....	100.0
Tennessee....	22.3	77.7	....	....	38.5	52.2	6.5	2.8	21.3	78.7
Total...	84.7	13.0	2.0	0.3	74.4	17.3	6.6	1.7	24.3	68.1
										7.6

^aExclusive of Oregon, from which data are not available. However, disqualification for misconduct in this state is for the calendar week in which worker has been discharged and for not less than two, nor more than five, of the weeks which immediately follow.

^bExclusive of Arizona and Ohio, for which data are not available.

TABLE 21
SEVERITY OF DISQUALIFICATIONS IN FLORIDA
July 1, 1941-JUNE 30, 1942

Weeks of Disqualification *	Voluntary Quitting		Discharge for Misconduct		Refusal of Suitable Work	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
1.....	7	0.2	4	0.3	38	3.5
2.....	12	0.4	19	1.5	46	4.2
3.....	84	2.9	53	4.1	89	8.1
4.....	68	2.4	55	4.3	70	6.4
5.....	410	14.2	328	25.4	827	75.7
6.....	132	4.6	74	5.7	....	....
7.....	857	29.8	325	25.2	....	....
8.....	209	7.3	86	6.7	....	....
9.....	70	2.4	23	1.8	....	....
10.....	605	21.0	141	10.9	....	....
11.....	26	0.9	7	0.5	....	....
12.....	400	13.9	175	13.6	....	....
Total.....	2,880	100.0	1,290	100.0	1,093	100.0
With reduction in benefit credits.	....	....	....	....	23	2.1

*Each claimant was disqualified for the week of his separation from work or his refusal of work and for additional weeks as indicated in this table.

SEVERITY OF DISQUALIFICATIONS IN FOURTEEN STATES, JULY 1, 1941-JUNE 30, 1942

State	Per Cent Disqualified for:														
	Voluntarily Leaving Work					Discharge for Misconduct ^a					Refusal of Suitable Work ^b				
	1-3 Weeks	4-5 Weeks	6-7 Weeks	8-9 Weeks	10-12 Weeks	Over 12 Weeks	1-3 Weeks	4-5 Weeks	6-7 Weeks	8-9 Weeks	10-12 Weeks	Over 12 Weeks	1-3 Weeks	4-5 Weeks	Over 5 Weeks or Reduction in Credits
Alabama.....	100.0	....	....	....	....	....	34.7	24.6	40.7	....	....	....	100.0	....	....
California.....	100.0	....	....	....	....	....	x	x	x	8.5	25.0	....	x	82.1	x
Florida.....	3.5	16.6	34.4	9.7	35.8	....	5.9	29.7	30.9	0.7	....	....	15.8	46.7	2.1
Kansas.....	27.7	54.6	16.3	1.4	....	....	42.5	46.0	10.8	....	....	....	40.3	....	13.0
Minnesota.....	15.9	10.3	1.8	1.1	18.3	52.6	17.6	9.1	0.9	2.1	13.0	....	x	63.3	x
Montana.....	36.0	61.3	0.5	0.2	....	....	20.0	64.7	11.8	3.5	....	....	26.7	....	10.0
Nebraska.....	12.2	87.8	....	....	....	....	33.3	53.3	....	....	....	....	....	....	100.0
New Mexico.....	0.1	4.8	....	3.6	6.2	85.0	....	4.9	1.4	5.6	14.8	73.3	....	8.6	88.0
New York.....	....	....	100.0	....	....	....	....	....	72.0	....	28.0	....	....	....	100.0
North Dakota.....	8.8	32.0	59.2	....	....	....	3.7	18.5	31.5	24.1	22.2	....	22.2	25.3	52.5
Ohio.....	100.0	....	....	....	....	....	100.0	x	....	....	x	x	100.0	x	x
Oregon.....	100.0	....	....	....	....	....	45.4	49.6	4.1	0.9	....	....	44.2	55.8	....
Tennessee.....	22.9	77.1	....	....	....	....	63.3	25.1	8.2	3.4	....	....	21.8	78.2	....
Utah.....	29.7	70.3	....	....	....	....	....	....	....	....	....	....	....	....	....
Total.....	58.3	9.8	26.3	0.5	2.1	3.0	59.5	16.4	13.6	1.2	5.4	3.9	24.8	19.5	55.7

^aExclusive of California and Oregon, for which data are not available.^bExclusive of California, Minnesota, and Ohio, for which data are not available.^cData for calendar year 1941.TABLE 23
SEVERITY OF DISQUALIFICATIONS IN FLORIDA, JULY 1, 1942-JUNE 30, 1943

Weeks of Disqualification ^a	Voluntary Quitting		Discharge for Misconduct		Refusal of Suitable Work	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
	No.	Per Cent	No.	Per Cent	No.	Per Cent
0.....	1	....	....	....	3	0.1
1.....	2	0.1	....	....	3	0.1
2.....	3	0.1	2	0.4	7	0.3
3.....	4	0.1	4	0.8	31	1.6
4.....	10	0.9	25	4.6	172	8.2
5.....	41	3.1	53	9.8	1,829	87.2
6.....	64	5.1	78	14.4	....	....
7.....	104	8.3	114	21.4	....	....
8.....	188	15.3	32	5.9	....	....
9.....	180	14.8	66	12.2	....	....
10.....	431	35.1	93	17.3	....	....
11.....	560	45.9	61	11.3	....	....
12.....	556	45.6	73	13.5	....	....
Total.....	2,049	100.0	540	100.0	2,098	100.0
With reduction in benefit credits.....	....	....	....	....	53	2.5

^aEach claimant was disqualified for the week of his separation from work or his refusal of work and for additional weeks as indicated in this table.^bLess than a tenth of a per cent.

TABLE 24

SEVERITY OF DISQUALIFICATIONS IN SIXTEEN STATES
JULY 1, 1942-JUNE 30, 1943

State	Per Cent Disqualified for:														
	Voluntarily Leaving Work						Discharge for Misconduct ^a						Refusal of Suitable Work ^b		
	1-3 Weeks	4-5 Weeks	6-7 Weeks	8-9 Weeks	10-12 Weeks	Over 12 Weeks	1-3 Weeks	4-5 Weeks	6-7 Weeks	8-9 Weeks	10-12 Weeks	Over 12 Weeks	1-3 Weeks	4-5 Weeks	Over 5 Weeks or Reduction in Credits
Alabama.....	100.0	....	....	....	....	....	34.7	29.5	35.8	....	....	....	100.0	....	....
California.....	100.0	....	....	....	....	....	25.6	14.0	60.4	....	....	....	5.6	51.9	42.5
Florida.....	0.2	2.9	8.2	13.1	75.6	....	1.2	14.4	20.4	18.1	42.1	....	2.1	95.4	2.5
Kansas.....	5.9	50.9	37.1	6.0	0.1	....	18.9	59.5	20.6	1.0	....	....	10.0	42.7	47.3
Minnesota.....	3.8	4.4	0.9	0.8	18.8	71.3	3.1	1.0	0.5	0.3	22.0	73.1	x	x	x
Montana.....	28.1	71.3	0.3	0.3	....	....	11.5	49.1	24.6	14.8	....	....	13.0	73.3	13.7
Nebraska.....	12.2	87.8	....	....	....	....	33.3	53.3	....	....	....	13.4	....	....	100.0
New Mexico.....	....	4.7	....	....	....	83.7	....	7.7	....	7.7	7.7	76.9	....	....	88.7
New York.....	....	....	100.0	....	....	....	....	....	100.0	....	....	....	....	....	100.0
North Dakota.....	4.9	21.3	73.8	....	....	....	....	10.0	50.0	30.0	10.0	....	31.4	29.4	39.2
Ohio.....	100.0	....	....	....	....	....	100.0	....	....	....	....	....	x	x	x
Oregon.....	100.0	....	....	....	....	....	x	x	x	x	x	x	100.0	....	....
Tennessee.....	33.6	66.4	....	....	....	....	46.5	47.6	5.7	0.2	....	....	44.8	55.2	....
Utah.....	27.8	72.2	....	....	....	....	57.9	42.1	....	....	....	....	12.8	87.2	....
West Virginia.....	2.4	2.6	94.5	0.5	....	....	10.4	8.0	81.6	....	....	....	1.5	94.7	3.8
Territory of Hawaii.....	8.2	12.3	79.5	....	....	....	....	....	100.0	....	....	....	....	....	100.0
Total.....	45.3	8.7	36.9	0.9	4.6	3.6	47.9	18.9	23.5	1.5	4.1	4.1	8.8	27.3	63.9

^aExclusive of Oregon, from which data are not available.^bExclusive of Minnesota and Ohio, from which data are not available.^cData for calendar year 1942.^dData for period April-November, 1943.

TABLE 25

CLASSIFICATION BY WEEKLY BENEFIT AMOUNT OF CLAIMANTS DISQUALIFIED
FOR VOLUNTARY QUIT AND DISCHARGE FOR MISCONDUCT AND OF ALL
BENEFIT WARRANTS ISSUED FOR TOTAL UNEMPLOYMENT, 1940

Weekly Benefit Amount	Disqualified			All Benefit Payments for Total Unemployment		
	No.	Per Cent	Cumulative	No.	Per Cent	Cumulative
			Per Cent			Per Cent
\$ 3.00....	37	1.8	1.8	13,264	2.4	2.4
4.00....	66	3.2	5.0	19,345	3.5	5.9
5.00....	99	4.7	9.7	30,998	5.6	11.5
6.00....	117	5.6	15.3	45,280	8.1	19.6
7.00....	174	8.3	23.6	63,361	11.4	31.0
8.00....	232	11.1	34.7	59,570	10.7	41.7
9.00....	176	8.4	43.1	51,429	9.2	50.9
10.00....	185	8.9	52.0	46,540	8.3	59.2
11.00....	145	6.9	58.9	37,928	6.8	66.0
12.00....	145	6.9	65.8	29,835	5.3	71.3
13.00....	92	4.4	70.2	25,008	4.5	75.8
14.00....	83	4.0	74.2	18,319	3.3	79.1
15.00....	540	25.8	100.0	116,973	20.9	100.0
Total	2,091	100.0	.....	557,850	100.0	.....

TABLE 26

DURATION OF BENEFITS OF CLAIMANTS DISQUALIFIED FOR VOLUNTARILY
QUITTING, DISCHARGE FOR MISCONDUCT, AND REFUSING SUITABLE
WORK COMPARED WITH DURATION OF BENEFITS FOR ALL ELIGIBLE
CLAIMANTS WITH BENEFIT YEARS ENDING BETWEEN JANUARY 1,
1941, AND JULY 1, IN FLORIDA

Duration	Claimants Disqualified		All Eligible Claimants	
	No.	Per Cent	No.	Per Cent
Exhaustions.....	534	47.1	21,477	60.1
Received all but:				
1 week.....	31	2.7	2,065	5.8
2 weeks.....	26	2.3	915	2.6
3 weeks.....	18	1.6	833	2.3
4 weeks.....	25	2.2	784	2.2
5 weeks.....	19	1.7	766	2.1
6 weeks.....	21	1.8	667	1.9
7 weeks.....	25	2.2	665	1.9
8 weeks.....	21	1.8	687	1.9
9 weeks.....	13	1.1	614	1.7
10 weeks.....	17	1.5	601	1.7
11 weeks.....	13	1.1	519	1.5
12 weeks.....	11	1.0	449	1.3
13 weeks.....	21	1.8	474	1.3
14 weeks.....	12	1.1	410	1.1
15 weeks.....	15	1.3	477	1.3
Drew nothing.....	314	27.7	3,322	9.3
Total.....	1,136	100.0	35,725	100.0

TABLE 27

DURATION OF BENEFITS OF DISQUALIFIED CLAIMANTS COMPARED WITH
DURATION OF BENEFITS FOR ALL ELIGIBLE CLAIMANTS WITH
BENEFIT YEARS ENDING BETWEEN JANUARY 1, 1941,
AND JULY 1, 1941, IN SEVEN STATES

State	Percentage of Claimants Who Completely Exhausted Their Available Credits		Percentage of Claimants Who Received No Benefits	
	All Eligible	Disqualified	All Eligible	Disqualified
	Claimants	Claimants	Claimants	Claimants
Connecticut.....	18.5	7.8	27.4	13.6
Florida.....	60.1	47.1	9.3	27.7
Minnesota.....	37.4	75.6	25.4	69.0
Montana.....	44.6	30.0	10.5	21.3
New Mexico.....	40.7	36.4	15.0	16.6
North Dakota.....	49.9	35.6	8.2	7.0
Ohio.....	23.1	38.4	31.6	29.8

TABLE 28

DURATION OF BENEFITS OF CLAIMANTS DISQUALIFIED FOR VOLUNTARILY
QUITTING, DISCHARGE FOR MISCONDUCT, AND REFUSING SUITABLE
WORK COMPARED WITH DURATION OF BENEFITS FOR ALL
ELIGIBLE CLAIMANTS WITH BENEFIT YEARS ENDING
BETWEEN JANUARY 1, 1942, AND DECEMBER 31,
1942, IN FLORIDA

Duration	Claimants Disqualified		All Eligible Claimants	
	No.	Per Cent	No.	Per Cent
Exhaustions.....	1,246	29.6	31,980	47.5
Received all but:				
1 week.....	109	2.6	4,171	6.2
2 weeks.....	94	2.2	1,935	2.9
3 weeks.....	99	2.3	1,819	2.7
4 weeks.....	85	2.0	1,792	2.7
5 weeks.....	100	2.4	1,883	2.8
6 weeks.....	85	2.0	1,803	2.7
7 weeks.....	94	2.2	1,599	2.4
8 weeks.....	104	2.5	1,589	2.3
9 weeks.....	81	1.9	1,542	2.3
10 weeks.....	71	1.7	1,478	2.2
11 weeks.....	73	1.8	1,575	2.3
12 weeks.....	81	1.9	1,559	2.3
13 weeks.....	94	2.2	1,729	2.6
14 weeks.....	85	2.0	1,911	2.8
15 weeks.....	89	2.1	2,337	3.5
Drew nothing.....	1,621	38.6	6,629	9.8
Total.....	4,211	100.0	67,331	100.0

TABLE 29

THE RELATION OF DISQUALIFICATIONS
TO ELIGIBLE CLAIMS FILED IN
FLORIDA, 1939 AND 1940,
BY MONTHS

Month	Eligible Claims Filed	Disqualifications Imposed	Per Cent Disqualifications Of Eligible Claims
1939			
January...	9,407	15*	0.16
February..	6,297	63*	1.00
March.....	3,911	105*	2.68
April.....	3,578	73*	2.04
May.....	6,579	151*	2.30
June.....	8,647	115*	1.33
July.....	8,944	77*	0.86
August....	12,258	593*	4.84
September..	4,377	87*	1.99
October...	3,910	133*	3.40
November..	3,470	152*	4.38
December..	3,578	140*	3.91
Total	74,956	1,704	2.27
1940			
January...	5,699	120*	2.10
February..	5,908	171*	2.89
March.....	5,223	449*	8.60
April.....	4,757	316*	6.64
May.....	4,361	304	6.97
June.....	6,971	621	8.91
July.....	12,059	340	2.82
August....	5,573	358	6.42
September..	2,947	316	10.72
October...	3,125	329	10.53
November..	1,886	280	14.85
December...	2,118	179	8.45
Total	60,627	3,783	6.24

*Estimated.

TABLE 30
SEVERITY OF MONEY DISQUALIFICATIONS
IN FLORIDA DURING 1940

Weeks of Disqualification	Voluntary Quitting		Discharge for Misconduct		Refusal of Suitable Work	
	No.	Per Cent	No.	Per Cent	No.	Per Cent
Benefit reduction:						
1.....	12	24.5	19	11.8	4	12.1
2.....	15	30.6	31	19.3	3	9.1
3.....	22	44.9	111	68.9	26	78.8
Total.....	49	100.0	161	100.0	33	100.0
Waiting weeks:						
1.....	.....	.....	.....	.....	.....	.....
2.....	.....	.....	.....	.....	.....	.....
3.....	.....	.....	1	0.7	.....	.....
4.....	.....	.....	1	0.7	.....	.....
5.....	.....	.....	14	9.8	33	100.0
6.....	1	2.4	4	2.8	.....	.....
7.....	40	97.6	123	86.0	.....	.....
Total.....	41	100.0	143	100.0	33	100.0

TABLE 31
SEVERITY OF DISQUALIFICATIONS
IN FLORIDA DURING 1942

Weeks of Disqualification*	Voluntary Quitting	Discharge for Misconduct	Refusal of Suitable Work
Week of separation	2	1	11
1	1	1	12
2	4	4	19
3	14	30	42
4	25	11	96
5	155	179	1,860
6	64	64	.....
7	364	201	.....
8	207	76	.....
9	49	21	.....
10	971	182	.....
11	55	9	.....
12	927	165	.....
Total	2,838	944	2,040

*Each claimant was disqualified for the week of separation from work or refusal of work and for additional weeks as indicated in this table.

